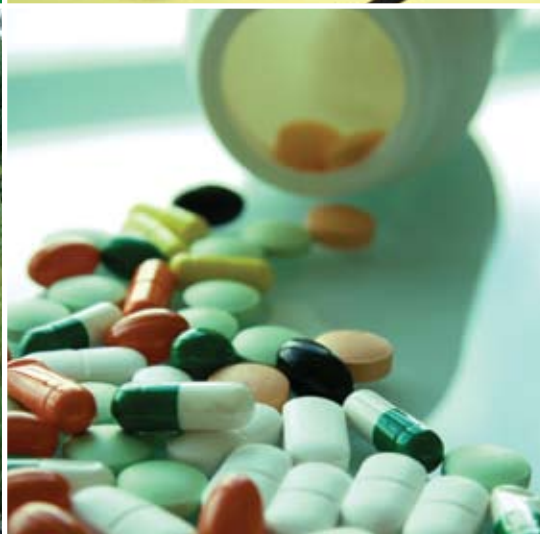
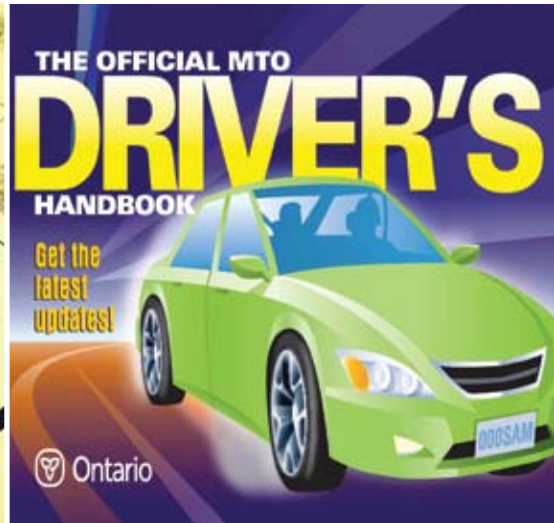




# 2007 Annual Report



Office of the  
Auditor General  
of Ontario





## Office of the Auditor General of Ontario

To the Honourable Speaker  
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to submit to you the *2007 Annual Report* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

A handwritten signature in black ink, appearing to read 'Jim McCarter', written in a cursive style.

Jim McCarter, CA  
Auditor General

Fall 2007

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# Overview and Value-for-money Audit Summaries

## Overview

### A BUSY AND PRODUCTIVE YEAR

This Annual Report is the fifth I have submitted to the Legislative Assembly. To begin, I provide an overview of what has been a challenging but productive year for the Office.

Value-for-money audits are our primary means of achieving the Office's goal of providing legislators with useful information to help them ensure that taxpayer funds are well spent and the public is receiving a high level of government service. While over the past decade, the Office has completed an average of 12 value-for-money audits each year, Chapter 3 of this year's Annual Report includes the results of 14 value-for-money audits. These audits cover not only ministry programs but also activities in hospitals, long-term-care facilities, universities, and GO Transit. We also conducted our annual financial statement audits on the public accounts of the province and on dozens of Crown agencies, which, this year, included the implementation of enhanced auditing standards recently recommended by the Canadian Institute of Chartered Accountants.

In addition to these activities, which we are required to undertake each year, we have the authority (under sections 16 and 17 of the *Auditor*

*General Act*) to conduct special assignments when requested by the Standing Committee on Public Accounts or a minister of the Crown. In the past we were asked to conduct about one of these special assignments each year. This year, we reported on two special assignments:

- *Special Review for the Minister of Energy—The Bruce Power Refurbishment Agreement*: This review was requested by the Minister of Energy soon after the agreement was signed. We delivered the report on our review in April 2007.
- *Special Review for the Premier—Year-end Grants Provided by the Ministry of Citizenship and Immigration*: On May 10, 2007, the Premier requested that we undertake a review of year-end grants provided over the previous two fiscal years. We delivered our report to the Premier in late July 2007.

As well, under the *Fiscal Transparency and Accountability Act, 2004*, we were required for the first time to review and report on the reasonableness of the government's projected financial results for the next three fiscal years, as outlined in the government's *2007 Pre-Election Report on Ontario Finances* (released in April). We tabled our review, which is discussed in Chapters 2 and 5, on June 18, 2007.

In addition, we completed our first full year of reviewing and approving government advertising



as required under the *Government Advertising Act, 2004*. The intent of the Act is to ensure that the government does not use public funds for advertising that promotes partisan political aims. As discussed in Chapter 6, we reviewed a total of 189 ad submissions and met the legislated turnaround time of seven days in all instances.

All this was accomplished with only a modest increase in staff, and, as discussed in Chapter 7, we actually returned part of the amount of our approved budget because of challenges we continue to face in hiring the number of professional accountants we need in the competitive Toronto job market. In conclusion, it was a busy and productive year, and I would like to take this opportunity to express my sincere thanks to the staff of my Office for their professionalism, dedication, and accomplishments over the past year.

## GOOD DECISIONS REQUIRE GOOD INFORMATION

In reviewing the results of this year's value-for-money audits, I was reminded of the adage "you can't manage what you can't measure" and of an observation I made in my overview of the *2004 Annual Report*: "making the best decision depends on having the right information at the right time." Not having good information significantly increases the risk that the decisions made will not be the best ones—and may even be wrong. We also found that, all too often, the underlying data needed to produce useful information for decision-making, though available, are not being adequately used for that purpose.

On every value-of-money audit we conducted this year, we noted areas where better information was needed to enhance and support management decision-making and oversight. The following subsections, which have been ordered alphabetically, identify areas covered in this year's audits where

we believe more comprehensive, relevant, and reliable information would have enhanced decision-making.

### Accommodations for the developmentally disabled

The Ministry of Community and Social Services did not have the information necessary to ensure that funding to local agencies providing community accommodations for the developmentally disabled was based on the relative needs within each community and the costs of services provided (instead, funding was based on historical allocations); nor did it have the information it needed to be assured that all services being funded were actually delivered.

### Driver education and testing

The Ministry of Transportation had not utilized its driver information system to identify and follow up on the reasons why beginner drivers who had taken an approved driver education course had a higher subsequent collision rate than drivers who had not taken the course.

### Facility management at universities

Universities would be in a better position to identify potential savings if they had better information on space utilization and the costs of operating their facilities.

### Fish and wildlife management

The Ministry of Natural Resources did not have good enough data to assess its success in managing fish and wildlife resources for sustainability and to focus its inspection and research efforts on high-risk areas.

### Forensic science laboratory services

The Centre of Forensic Sciences did not have the information needed to determine why certain case reports were delayed; nor did it have information on its turnaround times for the different areas of forensic science analysis.



**GO Transit**

With more than a 65% increase in commuter rail passengers over the past decade, GO Transit needed a better capital expenditure plan that more comprehensively analyzed expected future demand in order to provide the information necessary to identify where additional investment will be required to avoid further deterioration in service.

**Hazardous waste management**

Continuing problems with a computer system implemented in 2002 hindered the Ministry of the Environment in adequately monitoring and inspecting hazardous waste to ensure that proper treatment and disposal procedures were being carried out.

**Management of surgical facilities at hospitals**

Neither the hospitals we visited nor the Ministry of Health and Long-Term Care had adequate information on the number of patients waiting for specific types of surgery. As well, the Ministry did not have information on the number of operating rooms in Ontario and the operating rooms' hours of use.

**Medication management at long-term-care homes**

The Ministry of Health and Long-Term Care's Health Network System is the only system that has data on most of the drugs dispensed to residents of long-term-care homes. Reviewing this information would be a key way to identify homes where the use of drugs that may pose a high risk for seniors is significant and situations where a significant number of contra-indicated drug combinations are dispensed to long-term-care home residents. We believe that periodically doing such a review with the participation of the College of Physicians and Surgeons of Ontario and other appropriate regulatory bodies would provide useful information.

**OPP Sex Offender Registry**

Limitations in the Ontario Sex Offender Registry's built-in search tools inhibited efficient searches for potential suspects by law enforcement officers across the province.

**Pandemic outbreak management**

The Ministry of Health and Long-Term Care needed better information on the specific actions taken by its community public-health partners in order for it to assess the province's readiness should an influenza pandemic occur.

**Prescription drug reimbursement**

The Ministry of Health and Long-Term Care was not using the data in its Health Network System to identify potential overpayments to pharmacists.

**Retail sales tax collection**

The information systems that the Ministry of Finance uses to support retail sales tax collection were not providing the information needed to ensure the completeness and accuracy of the tax roll; nor did they identify overdue accounts requiring more aggressive collection efforts.

**Storage of archival records**

The Archives of Ontario did not have adequate information to ensure that all records of archival value were being identified; moreover, many records that were archived were not sufficiently described to be readily accessible or useful to the public.

In conclusion, while experience and good judgment are important ingredients for good decision-making, having good underlying information is also crucial. To facilitate sound decision-making, management must ensure that staff at all levels have the right information at the right time. In other words, as I stated earlier, "you can't manage what you can't measure."

## ACTION NEEDED ON SOME LONG-STANDING ISSUES

I have seen an overall improvement over the past four years in the extent to which ministries have taken action to address our audit recommendations. However, it was evident during this year's audits that there are instances where not enough action is being taken on certain previously raised concerns. Here are some examples.

- The Ministry of Health and Long-Term Care's drug program processes 90 million prescriptions for seniors, social assistance recipients, and other eligible individuals. A critical control in managing this program is the inspection process: dispensing pharmacies are inspected to ensure that prescriptions are not being dispensed to ineligible claimants, that pharmacist price overrides are warranted, and that excessive dispensing fees are not being charged. The current level of inspection activity is inadequate, and management is not using the information in its database to highlight areas warranting prompt inspection follow-up.
- The sustainability of a number of fish, wildlife, and plant species continues to be threatened, and, as we pointed out in a 2002 audit of the Ontario Parks program, the Ministry of Natural Resources must take a more proactive role in this area. While the recent enactment of the *Endangered Species Act, 2007* is encouraging, it will be up to the Ministry to translate the policy intentions of the Act into sustainability results.
- Three of the examples discussed in the preceding section—namely, the continuing problems with the hazardous-waste-management information system, the persistent use of historical allocation patterns as the basis for funding the community accommodation program (as opposed to needs-based funding), and the lack of timely follow-up on outstanding retail-sales-tax accounts receivable—are

also issues that we have previously raised and that warrant increased attention by the responsible ministries.

## SOME GOOD NEWS

As legislative auditors, we tend to focus on identifying the areas where progress needs to be made in both the cost-effectiveness and the service levels of programs that Ontarians depend on. But that does not mean that areas where good progress is being made or where innovative initiatives have been undertaken go unnoticed. Throughout Chapter 3, we have identified a number of such areas, and in this overview section we want to give a pat on the back for progress in the following 10 areas in particular.

- The Ministry of Health and Long-Term Care has established several expert panels and has put together coaching teams to improve surgical management processes in Ontario hospitals.
- Wait times for driver licence examinations—which were a significant problem several years ago—have been significantly reduced in the past few years. As well, the Ministry of Transportation's outsourcing agreement with the private-sector provider that operates driver examination centres contains a number of good oversight mechanisms.
- The long-term-care homes we visited have instituted a number of procedures to help ensure that they both obtain physician-prescribed medications and administer them to residents in a safe and timely manner.
- The Centre of Forensic Sciences has established reasonable processes for ensuring that its forensic science laboratory services are of high quality and that law enforcement clients are satisfied with the calibre of its work.
- Although GO Transit must deal with the challenge of continually increasing commuter

rail demand, an audit by the American Public Transportation Association did provide an overall positive opinion on the safety and security of GO Transit's operations.

- While additional action still needs to be taken, the Ministry of Health and Long-Term Care has undertaken a number of measures since the 2003 SARS outbreak to improve the province's readiness to respond to outbreaks of infectious diseases.
- The Archives of Ontario has introduced several key initiatives to upgrade its facilities and information systems. These initiatives, while not yet complete, were necessary steps for ensuring that information of historical significance is identified, securely archived, and made readily available to interested users.
- The externally managed system that processes drug claims for seniors, social assistance recipients, and other eligible individuals on behalf of the Ministry of Health and Long-Term Care was annually processing approximately 90 million prescription claims accurately and in accordance with ministry requirements.
- In recognizing the need to ensure that their facilities are adequately and cost-effectively maintained, Ontario universities jointly acquired a capital-asset-management system that will provide information allowing them to better allocate capital to deal with the aging infrastructure at most universities.
- Although it is a relatively small information system, the Ontario Sex Offender Registry was developed in a cost-effective manner by the Ontario Provincial Police working with the Ministry of Community and Correctional Services.

## Value-for-money Audit Summaries

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

### 3.01 ARCHIVES OF ONTARIO AND INFORMATION STORAGE AND RETRIEVAL SERVICES

The Archives of Ontario (Archives) has a broad mandate to oversee and manage recorded information in paper, electronic, and other forms created by ministries and most agencies, and to preserve recorded information of historical and permanent value and make it accessible to the public. Storage periods for government records usually range from five to 100 years, after which the records will either be destroyed or transferred to the custody and ownership of the Archives. The Archivist of Ontario has sole responsibility for approving the ultimate preservation or disposal of all documents and records. In the 2006/07 fiscal year, the Archives' expenditures were \$16.7 million and it employed about 100 staff.

Access to the Archives' collections can be obtained through its reading rooms, the Internet, and public libraries via the inter-library-loan microfilm program. Annually, customer inquiries and access requests for the archival and art collections include 20,000 visits to the Archives' reading rooms, 70,000 research requests, 16,000 microfilm loan requests, and more than 25 million visits to the Archives' website.

We concluded that, although the Archives had recently introduced a number of initiatives to upgrade its facilities and information systems, it did not yet have adequate systems and procedures to ensure that information of historical significance is being identified, stored, or archived safely and securely, and made readily accessible to users. The large growth and sheer volume of records destined for the Archives, both paper and electronic, exacerbate the challenge of identifying and cataloguing archival records of historical value. Our more significant observations were as follows:

- The Archives did not have adequate systems and procedures for ensuring that the more than 10,000 record-retention schedules of government ministries and agencies, which are used to identify records with archival value, were complete and up-to-date.
- The Archives had no information on the government-wide state of records management practices nor assurance that all records of archival value were being identified.
- The Archives did not have a comprehensive strategy for dealing with the extensive electronic documents that will need to be archived nor the technical expertise and capacity necessary to store and make them available to the public.
- We found a number of weaknesses in inventory control practices, which may have resulted in significant losses, including thefts, over the years.
- Many archival records were not readily accessible to the public because they had not been processed or fully described in the Archives' descriptive database.
- While the Archives has made good progress in developing a modern new storage facility for archival records, the storage facilities and storage methods for the more current semi-active records that are destined for the

Archives pose a risk of deterioration or loss of these records.

### 3.02 CENTRE OF FORENSIC SCIENCES

The Centre of Forensic Sciences (Centre) provides independent forensic-science laboratory services to law-enforcement officers and other justice-sector clients. Police investigators and Crown prosecutors rely on forensic science to identify or eliminate suspects and to provide evidence that can withstand scrutiny in court. Delays or errors in forensic analyses can prolong police investigations, increase their costs, and affect public safety by allowing criminals to remain free to reoffend.

During the 2006/07 fiscal year, the Centre received more than 10,400 requests from its justice-sector clients for scientific analysis of evidence. These requests resulted in the issuing of almost 12,700 analytical reports. During the 2006/07 fiscal year, the Centre had operating expenses of approximately \$25.5 million.

Our work indicated that the Centre has established reasonable processes for ensuring the quality of its services, and noted that it is pursuing international accreditation in this regard for 2008. As well, its clients are generally satisfied with the calibre of its work. While the timeliness of its services was an issue in the past, over the last several years, it has improved in this area—its DNA analysis in particular—despite an increase of more than 70% in the demand for forensic services.

However, improvements in systems and procedures are required in order for the Centre's turnaround times to be comparable to those of leading international forensic laboratories. Some of our more significant observations are as follows:

- Quicker turnaround times for the Centre's case reports will increase public safety and allow police forces and other justice-sector clients to make better and more efficient use of their resources. We compared the Centre

to two global leading forensic-science laboratories and found that the two completed their case reports in about half the Centre's average turnaround time of 64 days.

- The Centre uses only one turnaround-time target to monitor the performance of its different investigative sections. However, since the kinds of cases each section works on are completely different, each different section should have its own turnaround-time target. The Centre's 90-day target for completing 80% of its cases was much longer than targets set by forensic-science laboratories in other jurisdictions, which often set targets of 30 days or less.
- The Centre has established no documented systems or procedures for monitoring the number of urgent cases processed by each section or their turnaround times.
- The Centre's information systems did not help management determine why certain case reports had been delayed, and, as mentioned above, standards had not been set for turnaround times for the completion of cases in each different section.

### 3.03 COMMUNITY ACCOMMODATION PROGRAM

The Developmental Services Program of the Ministry of Community and Social Services (Ministry) funds community-based agencies that provide a broad range of services and support for both adults and children with a developmental disability. In the 2006/07 fiscal year, expenditures on this program were approximately \$1.2 billion, almost two-thirds of which went to the Community Accommodation Program for residential accommodation and support services provided to both children and adults with a developmental disability.

The Ministry's expenditures on the Community Accommodation Program have more than

doubled since the time of our last audit in 1999 to approximately \$767 million for the year ended March 31, 2007. The largest portion of these expenditures was for adult-group-home accommodation. Residential placements are based on the assessed needs of the individual and range from relatively independent living arrangements in apartment-like settings with regular agency support to intensive 24-hour-a-day, seven-day-a-week care in group homes typically housing three to six individuals. However, access to residential services is limited by the availability of existing spaces, which are primarily dependent on ministry funding.

A number of our audit observations were similar to those we made in our 1999 audit. Our more significant observations were as follows:

- For many years, agency funding has primarily been historically based rather than needs-based, which exacerbates funding inequities. Agency budget submissions lack the sufficiently detailed information required to make informed funding decisions, and there is little evidence that budget submissions have been reviewed and assessed for reasonableness. Many agencies did not receive their final approved budget until long after the fiscal year had ended.
- The annual budgeting process left the Ministry without the ability to monitor or compare information such as the average cost of spaces and services within a home. Costs at the agencies we visited ranged from \$30,000 to more than \$200,000 per person per year, according to our calculations. The Ministry was unaware of these cost differences and was unable to demonstrate that they were reasonable or justified.
- The Ministry lacked the necessary procedures and expertise to ensure that it is receiving value for money for the capital projects it funds, and some of the costs incurred seemed excessive. In one instance, it spent \$380,000



to renovate a bungalow that had been purchased for \$390,000—without assessing the need for and reasonableness of the renovation or receiving a proper accounting of the costs.

- There was often little documentation to support an individual's developmental disability determination or to demonstrate that the placement of an individual was appropriate and cost-effective.
- We noted a number of instances where beds remained vacant for six to 12 months. The Ministry's current funding mechanism pays equally for vacant and occupied beds, leaving the agencies with little incentive to fill vacant beds. At the same time that beds in some agencies remained vacant for extended periods, those agencies' access centres had lengthy waiting lists for accommodations.

While the Ministry acknowledged the challenges facing the program and is in the process of making a number of changes to the current system, it will take considerable time before the benefits of these changes are fully realized.

### 3.04 DRIVER EDUCATION AND EXAMINATION

The Ministry of Transportation (Ministry) is responsible for protecting the public by ensuring that the privilege of driving is granted only to persons who demonstrate that they are likely to drive safely.

Although the province does not regulate driving schools, the Ministry administers a voluntary Beginner Driver Education (BDE) program under which driving schools that meet specified requirements can become Ministry-approved course providers. They may issue driver-education certificates to students who have completed the course successfully; the certificates entitle students to have their 12-month G1 stage reduced by up to four months and, possibly, to save on insurance. Of the approximately 218,000 new drivers each year,

about 120,000, or 55%, take the BDE course and about 67,000 take advantage of the time reduction that allows them to attempt their G2 road test earlier.

We found that collision-involvement rates for novice drivers who enrolled in the BDE program were significantly higher than those for drivers who did not participate in the program. While this statistic is not necessarily an indication of the effectiveness of the BDE course, the Ministry had not followed up on the reasons for the higher collision rates. We also noted the following:

- Our analysis of statistics concerning Ontario drivers and a number of other studies have shown that drivers who have taken advantage of the time reduction have higher collision rates than those who remain longer in the supervised stage.
- Virtually all the external stakeholders we interviewed expressed concerns about the sale of driver-education certificates by unscrupulous driving schools to students who have not completed the required driver education.
- The Ministry's inspection of BDE driving schools had not focused on ensuring that the training was in accordance with the Ministry-approved curriculum. Where inspections were done, they found many cases of repeated non-compliance by driving schools.

While the Ministry is ultimately responsible for the examination and licensing of drivers, the administration of driver examination services is outsourced. We noted that there has been significant improvement in the wait times for taking a road test, a major issue noted in our last audit in 2001. However, we noted differences in the pass rates of examiners that were large enough to indicate that applicants were not being passed or failed on a consistent basis throughout the province. In addition, there were many cases where applicants were not required to complete all necessary manoeuvres. As well, some applicants may have

travelled significant distances to other centres that seemed to have less stringent testing requirements.

The Ministry's driver-examination outsourcing agreement had good oversight mechanisms that included a number of performance standards. However, in monitoring the performance of the service provider, the Ministry found a high number of defects that could be indicative of persistent problems.

Under the Driver Certification Program, the Ministry designates bodies such as municipalities, trucking firms, and school-bus companies as Recognized Authorities to operate a driver-licence training and testing program for their employees. Upon successful completion of the program, employees are entitled to have their class G driver licences upgraded to a commercial class licence. About 8,600 commercial licences, or 20% of such licences, are issued this way annually. Ministry inspections and investigations of complaints found instances where Recognized Authorities and their trainers were upgrading drivers who had neither received any training nor demonstrated the necessary driving skills, and were upgrading non-employees.

### 3.05 DRUG PROGRAMS ACTIVITY

Ontario has a number of drug programs that provide prescription drugs to Ontario seniors, social assistance recipients who are part of the Ontario Works and Ontario Disability Support programs, and certain other types of recipients as defined under legislation. The Ministry of Health and Long-Term Care (Ministry), through the Health Network System (Network), performs adjudication, processes payment of drug claims, and provides on-line information to pharmacists. The Network is linked to approximately 3,050 pharmacies and 100 other dispensers.

The Network annually processes 90 million prescriptions for approximately 3.2 million eligible recipients. For the 2006/07 fiscal year, total

expenditures for Ontario's drug programs were \$3.7 billion, of which \$742 million was paid by the Ministry of Community and Social Services for drug benefits for social assistance recipients.

Based on our audit work, we were generally satisfied that the externally managed Network processed drug claims in accordance with legislative requirements and ministry policy. However, to further control costs, the Ministry must be more vigilant in ensuring that the risks related to ineligible claimants and unusual drug claim patterns are appropriately addressed. Specifically:

- The Ministry did not closely monitor pharmacists' use of system override codes to grant drug coverage eligibility to recipients identified by the system as ineligible for drug coverage. System overrides must be supported by appropriate documentation such as temporary eligibility cards. During our audit, we found little evidence that program monitoring was performed to check support for the use of these codes. Our work identified an instance where a pharmacy made more than 300 claims in a five-month period through system overrides for one individual who was ineligible for drug coverage during that time.
- When pharmacists acquire drugs at costs greater than the Ontario Drug Formulary (Formulary) prices, they can be paid at these higher drug prices by entering a price override code in the system. Our review of a sample of price override claims paid by the Ministry in February 2007 found that more than 30% of the unit drug prices in these claims exceeded their Formulary prices by more than 100%. In one case, the price claimed exceeded the Formulary price by 12,500%, resulting in the Ministry paying almost \$2,400 for a claim that, according to the Formulary price, should have cost less than \$20.
- At the Ministry's current inspection rate of 3% of dispensing agencies in a year, it will



take up to 30 years to cover all agencies. The Ministry needs to more effectively utilize its limited inspection resources by targeting high-risk dispensing agencies identified through activities such as a review of unusual claims statistics. For instance, our review of 2005/06 claims data found that 20 dispensing agencies filled prescriptions for an average drug supply of less than three days, yet only one of these agencies was inspected in the last six years. Analyzing statistics such as this could highlight dispensing agencies that might be inappropriately reducing prescribed quantities of drugs in order to charge more dispensing fees. In conjunction with the Ministry, we selected a dispensing agency that had a high number of claims per drug recipient and attended the related field inspection. This single inspection identified \$270,000 in overpayments, of which \$240,000 was because of claims for invalid dispensing fees.

### 3.06 FISH AND WILDLIFE PROGRAM

The Ministry of Natural Resources (Ministry) seeks to bring about a healthy environment that promotes the sustainable use and development of Ontario's natural resources. The Ministry estimates that each year, 5.5 million Ontarians enjoy recreational fishing, hunting, and wildlife viewing, and that these activities are worth nearly \$11 billion annually to the provincial economy. Funding for the Ministry's Fish and Wildlife Program in the 2006/07 fiscal year was \$74.2 million.

Although the Ministry gathered data and carried out assessments on fish and wildlife resources, the information was neither sufficient nor current enough to provide assurance that the Ministry was effectively managing resources for sustainability. In addition, we noted a number of plant, fish, and wildlife species whose sustainability was of

increasing concern. Our observations included the following:

- The Ministry has recently taken some steps to address biodiversity and sustainability issues with a formal biodiversity strategy and the enactment of the *Endangered Species Act, 2007*.
- Although the Ministry has issued guidelines and frameworks to protect fish and wildlife habitats, it has no comprehensive inventory of the critical habitats that are key to the recovery or sustainability of fish and wildlife resources. Identifying these habitats would help the Ministry develop strategies to protect them from further degradation.
- In 2002, we recommended that the Ministry develop an overall strategy to provide for the conservation, protection, restoration, and propagation of species at risk. We noted that such a strategy was subsequently drafted but had not yet been approved or implemented. The Ministry also has 120 recovery strategies in various stages of development for endangered and threatened species, but just 22 of these have been released for public comment.
- The Ministry lacked complete and current data on moose populations, which contributed to the issuing of more hunting tags than recommended by harvest guidelines. For example, 41 of the 66 geographic areas that calculate moose harvest quotas and allocate hunting tags reported a huntable population greater than the estimated population.
- While the Ministry has developed a draft recovery strategy for the forest-dwelling woodland caribou, a threatened species in Ontario, it has been slow to finalize and implement it. Biologists have warned that the recovery strategy needs to be implemented on a timely basis to maintain the caribou population and its habitat.

- The Ministry's management of commercial fisheries has been largely successful in promoting the sustainability of commercial fish stocks, but there was a need for better monitoring and enforcement. In a number of cases, commercial and aboriginal operators on Lake Superior and Lake Huron exceeded their catch quotas by more than 200%.
- A reduction in deterrent patrols by conservation officers and gaps in enforcement coverage may have put added pressure on the province's fish and wildlife resources. For example, we noted that when a two-week enforcement blitz was carried out in 2006, officers seized 57 moose that had been hunted illegally—almost double the 29 animals seized during a similar blitz in 2005.

### 3.07 GO TRANSIT

Established in 1967, GO Transit's commuter network is a vital part of the GTA transportation system, linking Toronto with the surrounding regions and serving a population of more than 5 million. On a typical weekday, GO Transit trains carry about 165,000 passengers and its buses carry an additional 30,000 passengers. As of March 31, 2007, GO Transit had over 1,200 full-time-equivalent employees. Its annual operating expenditures, including amortization on capital assets, were approximately \$375 million, of which about \$250 million is recovered from passenger fares, with the province subsidizing the rest.

The demand for GO Transit services is growing rapidly, with more than a 65% increase in rail passengers over the last 10 years. Until recent years, GO Transit's on-time performance was in the mid-90% range, but delays and overcrowding have become increasingly common. During our audit, between October 2006 and February 2007, GO Transit's on-time performance was only about 85%. While GO Transit has taken some action to address

this, more needs to be done to meet service demand and provide reliable rail services.

Specifically, GO Transit's capital expenditure plan was based not on projected ridership growth but mainly on expected government funding levels. Without a more comprehensive analysis of future demand, there might not be sufficient infrastructure to accommodate future growth in passenger volumes. As a result, some areas could continue to experience serious capacity issues and persistent problems with customer service.

Seventy percent of the track that GO Transit operates on is privately owned. GO Transit had limited means to deal with what it considered to be high rates, restrictive covenant provisions, and controls over service levels that are imposed by the private railways. As well, over the next 10 years approximately \$475 million is to be spent by GO Transit on improvements in rail service on the privately owned rail corridors. Although the railways will maintain ownership of and control over the improved infrastructure, there is little guarantee that GO Transit will receive improved service in return. Because the regulation of railways falls under federal legislation, GO Transit needs to work more closely with the provincial Ministry of Transportation to ensure that representations made to the federal government better safeguard taxpayer-funded railway projects and ensure adequate access to commuter railway service for the public.

A recent audit by the American Public Transportation Association provided an overall positive opinion on the safety and security of GO Transit's operations.

With respect to GO Transit's proof-of-payment fare system, less than 1% of all riders inspected had no ticket. However, approximately 60% of all fare inspections were done on off-peak trains.

With respect to the acquisition of goods and services, we found:

- Although the scope of work for two significant program-management consultant contracts

clearly extended over several years, GO Transit requested bids for work spanning only 12 and 17 months. In the first case, a contract was awarded to a consortium for \$247,000 and repeatedly extended for another seven years to over \$25 million to date. Similarly, in the other case, a contract initially awarded for \$2.3 million was subsequently extended for three years at an additional cost of \$15.2 million to date.

- Including the extensions to the contracts referred to above, in total over 60 amendments were made to contracts, totalling almost \$70 million, or an increase of about 75% of the original contracts' values, in the three years from 2004 through 2006.
- There were numerous instances of suppliers being selected without a competitive process, including over \$8.6 million for 170 single-sourced consultant contracts.

### 3.08 HAZARDOUS WASTE MANAGEMENT

Hazardous wastes include a broad range of substances such as waste acid, contaminated sludge, photo-finishing and other chemicals, motor oil, and discarded batteries. The Ministry of the Environment (Ministry) is responsible for ensuring that hazardous waste is collected, stored, transported, treated, and disposed of with due regard for the environment and public health. Excluding household hazardous waste, Ontario produces approximately 400,000 tonnes of hazardous waste annually. The Ministry spent \$14.6 million in 2006/07 on its Hazardous Waste Management Program.

Partly owing to continuing problems with a computer system implemented in 2002, the Ministry does not yet have adequate monitoring and inspection procedures in place to ensure compliance with legislation and regulations aimed at protecting the

environment from the risks posed by hazardous wastes. The system's weaknesses limited the ability of staff to monitor effectively the volume of hazardous waste activity in the province and contributed to many of the following concerns:

- We identified more than 5,000 organizations that registered as hazardous waste generators in 2004 but not in 2005. Yet the Ministry had not determined whether these organizations were still generating hazardous waste and properly disposing of it.
- Certificate-of-approval applications from hazardous waste carriers that want to establish or modify a facility are reviewed by the Ministry to ensure that applicant operations will not adversely affect the environment. As of January 2007, we found that 50% of the applications remaining to be processed had been in the assessment stage for more than a year, and 20% for more than three years.
- In 2005, there were more than 26,000 shipments of hazardous waste where the quantity received was less than the quantity shipped by the generator. The difference was greater than 10% in half these shipments, with no explanation or follow-up regarding the discrepancy. Consequently, there was a risk that significant amounts of hazardous waste were not being disposed of properly.
- We identified almost 900 registered hazardous waste generators that apparently had not shipped any hazardous waste for the last three consecutive years as evidenced by the absence of manifests, which must accompany all shipments of hazardous wastes. The absence of manifests could indicate that hazardous wastes were being shipped and disposed of inappropriately if they were not being accumulated on-site.
- As of April 2007, the Ministry held \$150 million in financial assurance from over 700 carriers and receivers of hazardous

wastes. Financial assurance is required to ensure that the government does not end up paying for hazardous waste cleanup. However, the financial assurance collected is often inadequate. For example, one chemical company provided financial assurance totalling \$3.4 million for a landfill site, but the site experienced problems with leakage, and cleanup costs have been estimated at \$64 million.

- Although the Ministry performed a significant number of inspections of hazardous waste generators, carriers, and receivers, its selection of facilities for inspection was often not based on risks posed to the environment. In the last five years, at least, the Ministry had performed no inspections at 11 of the 30 largest hazardous-waste-generating facilities in the province. In addition, ministry inspectors found a significant level of repeat non-compliance, but had given the repeat violators more severe penalties only 20% of the time.

### 3.09 HOSPITALS—MANAGEMENT AND USE OF SURGICAL FACILITIES

Ontario's public hospitals are generally governed by a board of directors that is responsible for the hospital's operations and for determining the hospital's priorities in addressing patient needs in the community. In the 2006/07 fiscal year, the total operating costs of Ontario's more than 150 hospitals were about \$19 billion, of which about 85% was funded by the Ministry of Health and Long-Term Care (Ministry).

According to the Ministry, about 844,000 surgical procedures and 135,000 other diagnostic procedures (such as biopsies and imaging) were performed in hospital operating rooms across Ontario in 2006/07, at a cost of about \$1.2 billion. This cost includes nurses' salaries and medical supplies, but excludes most physicians' services, such

as surgeons' services, which the Ministry pays for through the Ontario Health Insurance Plan (OHIP).

The audit focused on the management and use of surgical facilities with respect to meeting patient needs. Our work indicated that the three hospitals that we visited—Toronto East General Hospital, St. Joseph's Healthcare Hamilton, and Sudbury Regional Hospital—were managing the use of their surgical facilities well in some areas. In addition, the Ministry had introduced several good initiatives to help improve surgical processes. However, the Ministry did not have information available on the total number of operating rooms in Ontario, the hours operating rooms were in use, the total number of patients waiting for surgery, or the type of surgery they were waiting for. Our observations also included the following:

- An average of 12% of operating rooms at the hospitals we visited were not used most weekdays in 2006, and generally were not used for elective surgeries on weekends or statutory holidays. As well, for approximately nine weeks in the summer of 2006, only about 60% of operating rooms were used, owing primarily to planned vacation-time closures.
- At the hospitals we visited, each surgeon's operating room time was based primarily on the time allocated to that surgeon in prior years, rather than on other factors such as patients' needs and hospital priorities.
- Most urgent emergency cases had their surgery within hospital-established time frames at the two hospitals we visited that tracked this information, although about 13% of non-emergency but urgent (for example, acute appendicitis) patients did not.
- None of the hospitals we visited followed up with the applicable surgeon to ensure that patients waiting longer than the established 10-month benchmark were reassessed. At one hospital, 67% of low-priority hip-replacement patients waited longer than their targeted

time frame for surgery, with some patients still waiting after three years.

- The timeliness of surgery varied significantly in some cases, depending on the hospital or Local Health Integration Network. For example, some hospitals were able to perform lower-priority cancer surgeries more quickly than other hospitals were able to perform more urgent cancer surgeries.
- At two of the hospitals we visited, about 13% of the in-patient beds were occupied by individuals no longer requiring hospital care but who were waiting for alternative accommodation. This reduced the number of post-operative beds available, sometimes resulting in surgical patients having their surgeries delayed or cancelled.
- The Ministry's Provincial Infectious Diseases Advisory Committee indicates that "flash sterilization" (a quick sterilization process for surgical instruments) should be used only in emergency situations. However, we noted that this was not always the case, as flash sterilization was often used in non-emergency situations, such as when there was a shortage of instruments.

### 3.10 LONG-TERM-CARE HOMES— MEDICATION MANAGEMENT

Long-term-care homes, such as nursing homes and charitable homes, provide care, services, and accommodation to individuals unable to live independently and requiring the availability of 24-hour care. There are more than 600 such homes in Ontario caring for about 75,000 residents, most of whom are 65 or older. In the 2006/07 fiscal year, funding by the Ministry of Health and Long-Term Care (Ministry) to long-term-care homes totalled \$2.8 billion, with residents generally also making a co-payment of between \$1,500 and \$2,100 per month for accommodation.

Residents of long-term-care homes usually have conditions requiring treatment with medication prescribed by a doctor. In the 2006/07 fiscal year, the Ministry paid pharmacies about \$333 million for more than 19 million drug prescriptions dispensed for residents of long-term-care homes.

Our audit assessed whether medications for residents were managed in an efficient, safe, and controlled manner. Our work indicated that at all of the three long-term-care homes we visited—Hamilton Continuing Care in Hamilton, Leisureworld St. George in Toronto, and Providence Manor in Kingston—there were a number of procedures in place to ensure that the homes obtained physician-prescribed medications and administered them to residents in a safe and timely manner. However, we noted areas where these homes could improve their medication management practices. We also obtained and analyzed information on drugs dispensed to residents of all long-term-care homes through the Ministry's Ontario Drug Benefit Program. Some of our more significant observations included the following:

- At all three homes, documentation to indicate that informed consent was obtained from residents or their substitute decision-makers for the use of new medications was either nonexistent or inadequate.
- Two of the homes we visited were not doing an adequate job of reporting all medication errors, and during 2006 reported only 12 and 26 errors respectively. The identification and review of medication errors is important in preventing similar errors in the future.
- During 2006, more than 5,700 residents of Ontario long-term-care homes were dispensed at least one of the eight high-risk drugs that were in our sample, and at least 20% of residents in 30 homes were dispensed these drugs. While we acknowledge that medications are generally prescribed by physicians, we believe there may be situations where a

high rate of use of high-risk drugs in certain homes may warrant some follow-up by the Ministry in conjunction with the College of Physicians and Surgeons.

- Ninety-one percent of the 18,000 level-1 alerts (which warn of a drug combination that is clearly contraindicated and should not be dispensed or administered) generated by pharmacy computers were overridden and the drugs dispensed to residents of 421 long-term-care homes. While pharmacists may have contacted the prescribing physician to discuss these drug interactions prior to overriding the level-1 alert, we believe some follow-up may be warranted given the high percentage of alert overrides.
- None of the homes periodically reconciled controlled substances administered to residents with records of drugs received from the pharmacy and those on hand.
- Processes to ensure that medications approaching their expiry date—including those in emergency supplies—are identified and removed from use upon expiry needed to be strengthened.
- Two of the homes did not consistently use environmentally responsible practices to dispose of unneeded medications.

### 3.11 ONTARIO SEX OFFENDER REGISTRY

In 2001 the Legislature proclaimed an Act that required the establishment of an Ontario Sex Offender Registry (Registry) to track the whereabouts of individuals residing in Ontario but convicted anywhere in Canada of one or more designated sexual offences. The Act also applied to every offender residing in Ontario still serving a sentence for these offences at the time the law came into force. The Ministry of Community and Correctional Services and, more specifically, the Ontario Provincial Police (OPP) were made responsible for

developing and maintaining the Registry. The OPP and more than 140 local police services are responsible for registering and monitoring offenders, of which more than 7,400 were registered as of January 2007.

In our audit, we found that while the Ministry and the OPP worked diligently and cost-effectively to create the Registry to help police investigate sexual crimes and monitor sex offenders in their communities, the Registry is not yet functioning adequately to serve its intended purpose. Some of our specific observations included the following:

- *Christopher's Law*, the legislation establishing the Registry, requires police services to register offenders only after they have completed custodial sentences. Therefore, the many offenders who live in the community while serving their sentence, or who are awaiting appeal decisions, were not required to register.
- The Registry was incomplete for a number of reasons. We identified 365 provincial offenders who should have been registered but were not. There was also no process for registering young offenders who receive adult sentences.
- The Ministry never obtained a list of over 1,000 sex offenders in federal custody in Ontario at the time of the Registry's inception so they could be registered on their release. In addition, there is currently no reliable reporting mechanism to ensure that all offenders living in Ontario are registered on release from federal correctional facilities; we identified 360 released offenders who should have been registered but were not because of missing information about the federal release date.
- There were no ministry guidelines for following up on non-compliant offenders, and practices varied at local police services. Warrants were not consistently being issued for offenders in breach of the Act for extended



periods. While the overall rate of offenders' registration compliance was high, the rate of non-compliance with the Act did vary widely across the province.

- The search tools available in the registry database required improvement. Users could not, for example, filter data by gender or age of the victim, relationship (if any) between the victim and the offenders, or the location of past crimes. In addition, other offender information, such as photographs, employment and educational addresses, or detailed case information was not always captured in the database, thus impairing the Registry's usefulness to investigators.

### 3.12 OUTBREAK PREPAREDNESS AND MANAGEMENT

The Ministry of Health and Long-Term Care (Ministry) is responsible for formulating emergency plans for infectious disease outbreaks such as an influenza pandemic. The World Health Organization and the Ministry believe that the risk of an influenza pandemic is serious, and that its impact on society would be much greater than that of the severe acute respiratory syndrome (SARS) outbreak that affected Ontario and other parts of the world in 2003. In the 2006/07 fiscal year, the Ministry spent approximately \$83 million to ensure that Ontario will be prepared in the event of a pandemic.

Our audit found that, while a number of measures have been taken since the SARS outbreak to improve the province's readiness to respond to outbreaks of infectious diseases, Ontario, like many other jurisdictions, is still not adequately prepared to respond to large-scale outbreaks such as an influenza pandemic. Some of the issues we identified were as follows:

- Though a comprehensive response plan had been developed, the Ministry had no

assurance that all members of the health system knew what to do in planning for, and during, a pandemic. One-third of the public health units had not completed their local pandemic plans, and some health-care stakeholders were unsure who should be responsible for stockpiling critical supplies.

- The critical-care triage tool included in the Ministry's pandemic plan had neither been tested nor submitted for public consultation, despite the recommendation to do so by its designers. The tool is intended to help physicians in acute-care settings make the difficult decisions about prioritizing critical care during an influenza pandemic.
- The availability of sites where a significant number of people could be quarantined or isolated for an extended time was limited. Although the Ministry was unable to find suitable alternative isolation sites during the SARS outbreak, it had no plans to look for such sites for future outbreaks.
- Although in 2006 the Ministry instructed the local public health units to establish up to 750 temporary influenza assessment centres to relieve pressure on hospitals and other primary-care providers, a year later this had generally not been done.
- The Ministry is challenged by a significant number of public health staffing vacancies, with approximately one-third of the public health units being without full-time medical officers of health. In addition, close to 100 ministry public health positions, some of which were designated as being critical during a human-health emergency, were vacant.
- We found that there were no warehouses for the storage of pandemic supplies west of Toronto, leaving the Toronto warehouse to serve a population about eight times the size of that served by two other warehouses



of comparable storage capacity in Northern Ontario.

- The Ministry could not reach some health-care providers because it had been told that the contact information held by the College of Physicians and Surgeons of Ontario could be used only in emergencies. Consequently, the Ministry had to purchase this information from a third party—but the information obtained in that way was incomplete.

### 3.13 RETAIL SALES TAX PROGRAM

The Ministry of Revenue (Ministry) administers the Retail Sales Tax Act, which imposes a general sales tax of 8% on the retail price of most goods and services sold to final consumers in Ontario. As at March 31, 2007, approximately 420,000 vendors were registered to collect and remit retail sales tax (RST) to the province. RST receipts for the 2006/07 fiscal year totalled approximately \$16.2 billion, net of \$153 million in refunds, which represents about 25% of the province's total tax revenue. Over the last decade, RST revenues have increased by an average of about 5% to 6% annually.

We concluded that enhanced information that ongoing technology developments can provide, along with certain improvements in the audit and collection processes, will all be necessary before the Ministry can be assured that all RST owing is being collected.

Some of our more significant observations were:

- While the Ministry has implemented certain measures to identify non-registered vendors at their place of business or at points of sale, procedures are not yet adequate to ensure that all Ontario vendors—particularly new vendors—selling taxable goods and services are registered with the Ministry.
- The audit selection process suffered from several deficiencies, including the following:
  - The auditable tax roll used for selecting vendors for audit excludes many vendors registered in Ontario, such as those vendors registered for less than two years and those that designate themselves to be part-time.
  - No standardized province-wide criteria have been developed for selecting vendors for audit on the basis of the risk of non-compliance, despite the Ministry's previous commitments to do so.
  - While audit coverage has increased since our last audit in 2000, the Ministry's coverage of each of its three categories of vendors based on level of sales and amount of tax remitted was still below its targets.
- Outstanding accounts receivable increased to \$967 million as at December 31, 2006, from \$587 million at the time of our last audit in 1999/2000, an increase of approximately 65%. In contrast, in the same period, RST revenues increased to approximately \$16.2 billion from \$12.6 billion, an increase of 29%.
- The Ministry's current information system does not have the ability to prioritize accounts-receivable collection. Our review of a sample of open collection files found that it often took a number of months for a collector to initiate contact on a file, and approximately one-quarter of the files had no collection activity for periods exceeding two years.
- At the time of our audit, approximately 35,000 vendors with active accounts were in default in filing their returns. Of those we reviewed, over eight months elapsed, on average, between the referral of the account to the Ministry's Non-Filer Unit and the compliance officer's attempt to contact the vendor. After the initial contact, many files continued to have an extended period of inactivity.

### 3.14 UNIVERSITIES—MANAGEMENT OF FACILITIES

Ontario has 18 publicly funded universities, with full- and part-time enrolment in the fall of 2006 totalling 436,000. In the year ended April 30, 2006, the operating revenues of these universities totalled about \$5.4 billion, comprising almost \$2.8 billion in provincial grants and \$2 billion in tuition fees, with donations, investments, and miscellaneous sources accounting for the balance.

Ontario universities own most of their facilities and are responsible for the utility costs and day-to-day cleaning, repairs, and security services. A report published by the Council of Ontario Universities in 2007 stated that universities in this province managed a portfolio of 918 buildings with 5.6 million square metres of space. The estimated replacement value of the facilities was \$14.4 billion as of March 2007, while the value of associated infrastructure, such as boilers and power systems, was an estimated \$2.2 billion. The deferred maintenance backlog at universities was estimated to be \$1.6 billion in 2006.

Our audit work at the three universities we visited (Carleton University, McMaster University, and the University of Guelph) examined whether the universities had adequate processes to manage their academic and administrative facilities and maintain them in good condition. Our audit found that, with respect to cost-effective operations of their facilities, universities would benefit from having better information about space utilization and about their physical plant operations.

At the three universities we audited, we also found the following:

- In the 2005/06 fiscal year, the combined capital renewal projects at the three universities we audited totalled \$18.3 million—less than 5% of their combined deferred-maintenance amount, which was reported as being approximately \$400 million.
- The usefulness of the universities' capital-asset-management system for prioritizing capital renewal projects could be enhanced by implementing procedures to update the system for completed renewal projects in a more timely manner and, for a sample of facilities, checking the reliability of the deferred maintenance forecasts made by the system.
- Procedures to ensure that academic and administrative space was used efficiently need to be improved. A new scheduling system at one university was expected to achieve a 30% improvement in the utilization of academic space.
- There was a need for additional analysis to compare the operating costs of each facility to those of similar facilities at the university or to those at other universities in order to identify and take action on opportunities to reduce costs.
- With respect to purchasing, we were pleased to note that the universities' policies promoted open and competitive purchasing practices, and that the policies were generally being complied with for purchases relating to the physical-plant operations that we examined.

# Improving Accountability and Transparency

In recent years we have noticed that all three political parties represented in the Ontario legislature have been vocal in their support for increased accountability and transparency with respect to the operations of government. This has been encouraging to see because it has historically been a key issue for our office and, as has been our practice for a number of years now, this chapter of our report deals with matters relating to this subject.

From our perspective, there have been several significant initiatives involving our office in recent years that we believe have been beneficial in enhancing the accountability and transparency of government to Ontarians. These include:

- Expansion of our audit mandate through amendments to the former *Audit Act* to provide us with the authority to conduct value-for-money audits in organizations in the broader public sector that receive government grants, such as school boards, hospitals, and colleges and universities, as well as Crown corporations such as Hydro One and Ontario Power Generation.
- Introduction of the *Government Advertising Act*, which prohibits government advertising that is partisan in nature and requires that the Auditor General pre-approve proposed government advertising to provide an appropriate oversight mechanism.

- Introduction of the *Fiscal Transparency and Accountability Act*, which, amongst other things, requires the government of the day to publicly release a pre-election report before a provincial election outlining the government's projected fiscal situation over the next few years. The Act requires that the Auditor General review the published report and provide a statement on whether the projected fiscal forecasts are reasonable.

The above three areas are discussed in more detail in this chapter. I also address several other areas that impact government accountability and transparency, such as the implementation of recommendations made by our office in previous years, public reporting of results achieved by the government, accountability for grants given to external organizations, and the governance of Crown agencies.

## The Auditor General's Expanded Audit Mandate

The Auditor General's audit mandate was recently expanded through the passage of Bill 18, the *Audit Statute Law Amendment Act, 2004*, which amended the *Audit Act* (now the *Auditor General Act*). The most significant amendment in Bill 18

was the expansion of the Auditor General's value-for-money audit mandate to include the thousands of organizations in the broader public sector that receive government grants, and Crown-controlled corporations, such as Ontario Power Generation and Hydro One. The expanded mandate does not apply to grants to municipalities, but it does allow the Auditor General to examine a municipality's accounting records to determine whether it spent a grant for the purposes intended. The effective date of the expanded mandate with respect to value-for-money audits in the broader public sector was April 1, 2005.

We reported on the results of our first seven audits under this new mandate last year in our *2006 Annual Report*. By and large, the audited organizations and the government accepted the vast majority of our recommendations for improvement.

The Standing Committee on Public Accounts showed great interest in the results of these first broader-public-sector audits by holding public hearings on four of them: management and use of medical diagnostic-imaging equipment in hospitals; the acquisition of goods and services by community colleges; the acquisition of goods and services by school boards; and our audit of certain aspects of Hydro One's operations.

Last year we also audited four Children's Aid Societies (CASs), as well as the Ministry of Children and Youth Services' administration of its Child Welfare Program. Owing to the seriousness of some of the issues raised by those audits, the Minister of Children and Youth Services asked our Office shortly after the report was released to advance our normal two-year follow-up and conduct our follow-up audits of the four CASs and the Ministry's Child Welfare Program a year earlier than is our normal practice. We expect to provide the Minister with a report on our follow-up work in late 2007.

In the past year, the second under this new mandate, we conducted for the first time audits of several other significant broader-public-sector

activities, including facilities management at selected universities, management of surgical facilities at selected hospitals, medication management in long-term-care homes, and the rail operations and governance structures of GO Transit.

## Improving Transparency through the Pre-election Report

The *Fiscal Transparency and Accountability Act, 2004 (Act)* established a number of new legislative requirements for both Ontario's fiscal policies and its fiscal plan. One of the most significant ones was the requirement that the Ministry of Finance (Ministry) release a report on Ontario's finances prior to a general election and that the Auditor General review this report for reasonableness. The Act requires that the report include the following:

- macroeconomic forecasts and assumptions used to prepare the fiscal plan and a description of any significant differences from those forecasts and assumptions;
- estimates of Ontario's revenues and expenses, including estimates of the major components of the revenues and expenses set out in the plan;
- details about the reserve required to provide for unexpected adverse changes in revenues and expenses; and
- information about the ratio of the province's debt to its gross domestic product.

The purpose of the pre-election report is to inform voters, Ontarians, and political parties of the province's fiscal plan prior to an upcoming provincial election. The Ministry released its *2007 Pre-Election Report on Ontario's Finances*, in accordance with Ontario Regulation 82/07, on April 23, 2007, which was almost six months before the October 10, 2007, election.

As required by subsection 10(3) of the Act, we promptly performed a review of the pre-election report to determine its reasonableness with respect to the public disclosure of the province's future financial outlook. Our report outlining the results of our review was transmitted to the Legislative Assembly on June 18, 2007. The full report, entitled *The Auditor General's Review of the 2007 Pre-Election Report on Ontario's Finances*, is available from our website at [www.auditor.on.ca](http://www.auditor.on.ca) and also from the Ministry of Finance's website, together with the Ministry's pre-election report, at [www.fin.gov.on.ca](http://www.fin.gov.on.ca).

As further discussed in Chapter 5, we concluded that the government's estimated fiscal results for the next three fiscal years, including the underlying assumptions, were reasonable. Our formal statement pertaining to our review reads as follows:

*The Auditor General's Statement on the 2007 Pre-Election Report on Ontario's Finances*

To the Legislative Assembly of the Province of Ontario:

I am required by subsection 10(3) of the *Fiscal Transparency and Accountability Act, 2004* (Act) to review and report on the reasonableness of the government's pre-election report on the province's finances. Accordingly, I am reporting on the consolidated statement of estimated revenues, expenses, and reserve prepared by the Ministry of Finance—for the three fiscal years ending March 31, 2008, March 31, 2009, and March 31, 2010, on the basis of the best information available as at March 16, 2007—contained in the *2007 Pre-Election Report on Ontario's Finances* tabled in the Legislative Assembly of Ontario on April 23, 2007.

I have examined the support provided by the government for its estimates

of revenues and expenses and for the assumptions it made in preparing and presenting the estimates. My examination was made in accordance with the standards established for assurance engagements established by the Canadian Institute of Chartered Accountants. I have no responsibility to update this report for events and circumstances occurring after the date of my report.

In my opinion:

The *2007 Pre-Election Report on Ontario's Finances* complies with the presentation and disclosure standards established by the Canadian Institute of Chartered Accountants for future-oriented financial information and with the requirements of the Act.

As of the date of this report, the assumptions developed by the Ministry of Finance are consistent with the plans of the government of Ontario, and the estimated revenues and expenses for the three fiscal years reflect the use of such assumptions.

The assumptions relating to the fiscal years ending March 31, 2008, March 31, 2009, and March 31, 2010, respectively, are suitably supported and provide a reasonable basis for estimating revenues and expenses, keeping in mind that the degree of uncertainty with respect to assumptions increases the further in the future the estimates relate to. Accordingly, assurance with respect to the supportability of the assumptions and their reasonableness in providing a basis for estimating revenues and expenses for the fiscal years ending March 31, 2009, and March 31, 2010, is less certain.

Since the revenue and expense estimates are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, I express no opinion as to whether these estimates will be achieved.

[signed]

Toronto, Ontario  
June 8, 2007

Jim McCarter, CA  
Auditor General

## PRUDENT NATURE OF THE PRE-ELECTION REPORT

We noted that there are a number of elements of the pre-election fiscal plan that reflect a conservative approach to planning. In the report's wording, it is desirable for a fiscal plan to be "constructed prudently—that is, with a margin for caution..." The report also points out that basing Ontario's fiscal policy on cautious assumptions is required by the Act.

Conservative fiscal planning, in addition to being required by the Act, has been driven in part by recommendations made by the Ontario Financial Review Commission (Commission). Specifically, the Commission's report to the Minister of Finance tabled in the Legislature in November 1995 recommended the use of prudence as a key element in Ontario's fiscal-planning framework. Conservative fiscal planning has been the norm over the last decade—in nine of the last 10 years, the government exceeded its original fiscal targets and therefore had more funds available at year-end than had been estimated in the budget for the year.

The principal methods used by the government to ensure that the fiscal plan is conservative and prudent, and to provide a cushion against unexpected and adverse changes in the provincial outlook, are as follows:

- Revenues are estimated on the basis of assumed growth rates for Ontario's real gross

domestic product that are set lower than the average of private-sector forecasts.

- The interest expense on the government's debt is estimated using conservative assumptions about the province's borrowing costs.
- An allowance for contingencies to cover unexpected increases in expenses is included.
- Separately from the contingency allowance, a reserve for each year of the plan is also included.

In combination, these four measures, in particular, tend to make the fiscal plan conservative in nature. That is, in our opinion, in any given year, while actual results will undoubtedly vary from the estimates, we believe the government is more likely to exceed its fiscal targets as set out in the fiscal plan than to fall short of those targets.

For example, the pre-election report estimated a deficit of \$400 million and surpluses of \$300 million and \$400 million for the 2007/08, 2008/09, and 2009/10 fiscal years respectively. However, because of the prudent approach utilized, and taking into account the contingency allowance and reserve, we noted that it is quite possible that the estimated deficit of \$400 million for the 2007/08 fiscal year could turn out to be a surplus and the estimated surpluses of \$300 million and \$400 million could even approach \$1 billion in each year.

We found the Ministry of Finance's *Pre-Election Report on Ontario's Finances* to be an informative financial document that provided extensive information about Ontario's expected future fiscal situation in a reasonably understandable manner. The report included details of Ontario's results-based planning process, the processes used to arrive at the province's fiscal plan, how this plan is approved by the Legislature, and the methods by which prudence and flexibility are built into the plan to guard against unexpected downturns in the economy or other negative events. The report also provided details of the government's estimated future revenues and expenses by major category, and the assumptions about Ontario's economy that



drive these estimates. We believe that, by providing this information, the accountability and transparency of the government’s fiscal-planning process is enhanced.

## Improved Implementation of Our Recommendations

Our Office has the following primary objective: to provide legislators with the information they need to hold the government, its administrators, and grant recipients accountable for achieving value for money and a high level of service to the public. We obtain this information primarily through our value-for-money audits, which, over time, cover all major programs of government ministries and, more recently, certain activities in the broader public sector and at Crown corporations.

In conducting these audits, the Office believes that it is not enough just to point out problems or concerns. We also provide what we feel are practical and constructive recommendations to address issues in a cost-effective manner. Four years ago, when I tabled my first Annual Report, I expressed some frustration with the lack of implementation of the Office’s prior years’ recommendations. In my opening remarks to the media regarding my 2003 Annual Report, I said:

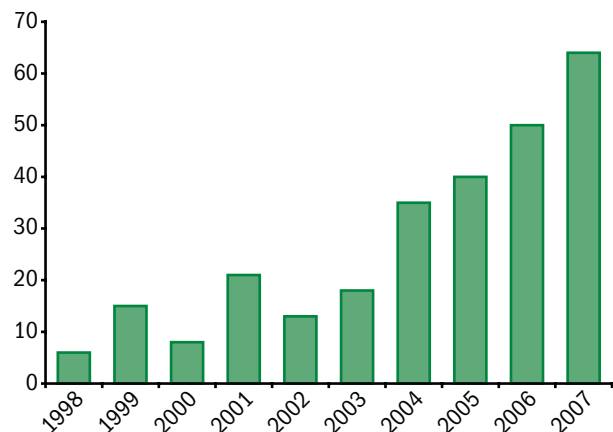
It was apparent to us this year that there were far too many areas where prior-year concerns—often going back four, five, six, or even 10 years—had not been satisfactorily addressed. We acknowledge that many of our recommendations deal with very substantive and complex issues that cannot be addressed overnight and substantial progress in addressing them may well take a year or two. However, there is no excuse for a lack of effective action after so many years have passed.

I am pleased to report that this is one area where I have seen steady progress over the past four years. It is evident from Chapter 4 in this year’s report, where we present our follow-up on the status of recommendations we made in the value-for-money audits reported in our 2005 Annual Report, that action has been taken and progress made in addressing most of the recommendations we made two years ago.

We have made over 200 recommendations in each of the years from 2002 to 2005 and, judging by our follow-up work two years after the original audit, the proportion of these that have been substantially implemented after two years has been approaching 50%. Of the 273 individual recommendations made in our 2005 Annual Report, we found that 44% had been either substantially or fully implemented. In total, progress is being made on over 80% of the recommendations we made in 2005. Given that many of our recommendations deal with complex operational areas, sometimes involving non-governmental stakeholders, I am satisfied with the progress being made in most areas we have examined in recent years. Figure 1 shows the trend over the last 10 years in the proportion of audits on which, on the basis of our follow-up work, we believe that significant progress in implementing our recommendations has been made.

**Figure 1: Percentage of Audit Follow-ups Noting Significant Progress in Addressing Our Recommendations of Two Years Earlier**

Prepared by the Office of the Auditor General of Ontario





So who should take the credit for this improvement over the last few years? First of all, senior management in the ministries and central agencies that we audit certainly must be recognized for their increased commitment to implementing our recommendations. However, another not-so-obvious contributor is the Legislature's Standing Committee on Public Accounts (Committee).

As further discussed in Chapter 8, The Standing Committee on Public Accounts, our Annual Report is automatically referred to this Committee upon tabling in the Legislature. The Committee selects a number of sections from our report—including both current-year audits and sections from our follow-up work on recommendations made two years ago—on which to hold formal hearings. At these hearings, the Deputy Minister or agency head and, since last year, the heads of organizations in the broader public sector, along with their senior officials, have the opportunity to outline what action they have taken on issues identified by that particular audit. Members from all three parties may then question the officials attending the hearing. Awareness by senior officials that they could be called to appear before the Committee acts as an additional motivator for management to take action on our recommendations, as does the Committee's support and actions during hearings.

Two examples are indicative of the potential impact that the Committee's support for our recommendations has had.

The first example relates to the December 2006 hearing on the management and use of diagnostic imaging equipment at Ontario hospitals. One of our recommendations dealt with ensuring that standardized patient CT-radiation-exposure protocols were being utilized by all hospitals so that a patient's radiation exposure would be as low as reasonably achievable. During the Committee hearings, there was considerable discussion about the need, in particular, to ensure that established

pediatric protocols are used when CT scans are being done on children.

The Committee wrote to the Ontario Hospital Association (OHA) requesting that it confirm that such protocols had been disseminated to all Ontario hospitals. The Deputy Minister of Health and Long-Term Care subsequently wrote to the Committee to advise that the OHA had distributed the pediatric protocol to all Ontario hospitals and had encouraged all hospitals to ensure that they adopted these protocols in their organizations.

The second example relates to the April 2007 hearing by the Committee to discuss the acquisition of goods and services by school boards. As with hospitals, this was our first audit of the sector under our expanded mandate. Senior representatives of the Ministry of Education and of the four boards we audited attended the hearing and indicated their support for our recommendations. They also explained the actions they were taking to address them. Recognizing that there was a risk that our recommendations would have an impact only on the four boards we examined, the Ministry wrote to all 72 school boards in the province shortly after our report was tabled to provide them with guidance on better purchasing policies that address four expenditure areas in our recommendations. It asked the boards to review their policies to assess whether they, too, could make improvements to their purchasing policies and procedures. Boards were also asked to publish their updated policies and procedures on their websites by March 31 so that community stakeholders could know what to expect when doing business with the board. The Committee went a step further and wrote to the Ministry requesting that it report back to the Committee by July on the number of boards that had not yet published their updated purchasing policies, which the Ministry did.

This is not to say that, in the absence of the influence of the Committee, senior management of ministries, organizations in the broader public

sector, and Crown agencies would not be taking our recommendations seriously. In fact, deputy ministers have indicated that they continue to appreciate the opportunity to respond formally in writing to our recommendations with respect to their proposed action plans.

The bottom line is that improved and timelier implementation of our recommendations will result in better, more cost-effective services being delivered to Ontarians.

## Improving Public Performance Reporting

In our *2006 Annual Report*, we discussed recent developments related to public performance reporting in Ontario as well as developments in some other Canadian jurisdictions. One aspect of that discussion was recognition of the ever-increasing interest in citizen-focused forms of public reporting. These are characterized by the provision of detailed web-based information useful to citizens in making decisions on services that matter to them. These reporting mechanisms provide for more transparency and accountability for the services being delivered.

With advances in information technology and the increasing availability of the Internet in our society, making performance-reporting information accessible through web-based technology is fast becoming a standard method for organizations to reach out to their various stakeholders and be accountable to them.

One high-profile example of this web-based, citizen-focused approach to public performance reporting is the Ontario government website dedicated to tracking wait times for certain diagnostic tests and surgical procedures. This helps patients, health-care providers, and funders monitor trends and opportunities for improvement.

As pointed out in our *2006 Annual Report*, the reliability and usefulness of citizen-focused information improves as the necessary information systems and data-collection practices mature. Obviously, most new initiatives will experience growing pains, and they require continuous improvement. Such was the case with the reporting of wait times for key health services. In our 2006 audit of the management and use of diagnostic imaging equipment in hospitals, we raised a number of concerns with respect to how Ontario was measuring and publicly reporting its wait times information for certain diagnostic imaging tests on [www.ontariowaittimes.com](http://www.ontariowaittimes.com).

As a result of our *2006 Annual Report* comments and concerns regarding the reporting of wait times, the Minister of Health and Long-term Care appointed Senator Michael Kirby to examine the issues surrounding the reporting of wait times and to recommend ways to enhance public confidence in the accuracy and usability of information on the website. The Kirby Report recommended ways to improve how information is presented by using simpler language to explain wait times to the public—using, for example, “9 out of 10 people” rather than “the 90th percentile.” The Kirby Report also made recommendations on collecting additional data, governing and funding the system, and supporting new models of care.

In response to the Kirby Report, the Ministry has, among other things, changed the website to make it more user-friendly for both patients and health-care providers.

In our 2007 audit of hospitals’ management and use of surgical facilities, we re-visited the reporting of wait times, with a focus on wait times for other priority surgical services (discussed in Section 3.09 of this report). In March 2006, the Ministry introduced a new Wait Time Information System (System), and all hospitals participating in the Wait Time Strategy had implemented this System by June 2007. The new System tracks additional items,

such as patient wait times, based on their urgency or priority level, and compares these to their respective benchmark times. According to the Ministry, it plans to report wait times publicly by priority level by the spring of 2008, thereby making the information more useful to patients and physicians.

The Office of the Auditor General is very supportive of public performance reporting using web-based technology. As well, discussions at the Standing Committee on Public Accounts have indicated the Committee's support for improved public-sector accountability through the public disclosure of performance-based information on the websites of public-sector organizations.

My Office is committed to offering constructive recommendations on ways to improve the quality of performance information on the services and programs we examine each year as part of our goal to strengthen accountability and encourage value for money in the delivery of government services. These recommendations appear in a number of the sections in Chapter 3.

## Transfer Payment Accountability

Transfer payment grants to organizations constitute the largest category of the province's budgetary expenditure. In the 2007 fiscal year, they amounted to about \$47 billion, or over one-half of total provincial expenditures of about \$88 billion. The major recipients of transfer payments to organizations include school boards, universities, community colleges, and hospitals, collectively known as the SUCH sector. These SUCH organizations account for about \$28 billion of operating transfer payments, or about 60% of total transfer payments to organizations.

Over the past two fiscal years, we have taken advantage of our expanded value-for-money audit

mandate by performing audits of a number of organizations within the SUCH sector. Our objective in these audits has been to assess whether the funded organizations had adequate policies and procedures in place to ensure that the selected activities were being administered with due regard to economy, efficiency, and effectiveness. As well, when conducting audits of transfer-payment organizations, we can also examine the accountability process in place at the funding ministry, such as in our audit of the Ministry of Children and Youth Services' administration of the Child Welfare Services Program, which was reported in our *2006 Annual Report*.

Over the years, we have expressed numerous concerns about the need for improved accountability and ministry oversight of organizations receiving significant transfer payments. While such observations normally arise during our ongoing value-for-money audits, they also recently arose with respect to a special review that we were asked to carry out for the Premier on year-end grants made by the Ministry of Citizenship and Immigration. Our *Special Review of Year-end Grants Provided by the Ministry of Citizenship and Immigration*, which was submitted to the Premier on July 26, 2007, concluded that the decision-making process followed by the Ministry for its most significant year-end grants in the 2005/06 and 2006/07 fiscal years was not open, transparent, or accountable. The full report on this special review is available on our website at [www.auditor.on.ca](http://www.auditor.on.ca).

Given the significance of the transfer-payment sector in delivering efficient and effective services to Ontarians, it is critical that appropriate accountability measures are in place for transfer payments in order to ensure that value for money is being received. The government acknowledges this and outlines its accountability expectations in the province's Transfer Payment Accountability Directive (Directive), which:

- establishes the principles and requirements for implementing good governance and controllership practices to achieve accountability for transfer payments; and
- supports the efficient and effective delivery of services provided through transfer-payment programs.

We were pleased to note a number of revisions to this Directive were recently made which address some of the recommendations outlined in our *2006 Annual Report*. For instance, the revised Directive places more emphasis on the use of a risk-management framework to enable ministries and classified agencies that provide transfer payments to better manage and oversee the broad range of transfer payment programs. Roles, responsibilities, accountabilities, and reporting requirements have also been updated to reflect principles of transparency and the importance of achieving value for money with the funds provided.

The revised Directive took effect August 31, 2007, for all new transfer-payment programs. All existing transfer-payment programs and funding agreements at August 31, 2007, are expected to comply with the new directive by April 1, 2008.

## Agency Governance and Accountability

Many important services are delivered by government agencies or corporations rather than ministries. In the 2006/07 fiscal year, for example, eight of the largest government business enterprises contributed about \$4.2 billion to the province's income and managed almost \$14 billion in net assets on behalf of Ontario's citizens. The financial results of another 27 agencies were also reported in Volume 2 of the Public Accounts of Ontario because of the significance of their revenues, expenditures, or assets under management. In all, there are more than 300 agencies, classified as in Figure 2, that provide various services.

Ensuring that Ontarians are well served by these agencies requires that they be governed effectively. Effective governance requires that appropriate mechanisms be established, usually by the boards of directors, to make effective decision-making possible, to clarify accountability for the achievement of objectives and the prudent management of public funds and assets, and to provide for regular

**Figure 2: Classification of Provincial Agencies, March 2007**

Source of data: Ministry of Government Services

Classification	Characteristics	# of Agencies
adjudicative	makes independent, quasi-judicial decisions, resolves disputes, and/or hears appeals against previous decisions	63
advisory	provides ongoing information/advice to assist in development of policy and/or in delivery of programs	112
Crown foundation	solicits, manages, and distributes donations to an organization in whose interests the foundation has been established	22
operational enterprise	sells goods or services to the public in a commercial manner (which may be in competition with the private sector)	36
operational service	delivers goods or services to the public—usually with no, or only minimal, fees	51
regulatory	makes independent decisions affecting the conduct, rights, and responsibilities of an individual, business, or corporate body	19
trust	administers funds and/or other assets for beneficiaries named under statute	6
<b>Total</b>		<b>309</b>

review, assessment, and reporting of the performance of management and operations.

Recognizing this, the Management Board of Cabinet approved the Agency Establishment and Accountability Directive (Directive) in 2000. The Directive aims to ensure that agencies established by the province are accountable to the government for using public resources efficiently and effectively in carrying out their mandates. The following are some of the key accountability requirements of the Directive:

- A current memorandum of understanding between the agency and the responsible minister should be in place to address the roles and responsibilities of the agency, staffing, administrative arrangements, and reporting and audit requirements.
- An annual business plan that covers at least three fiscal years should be prepared for approval by the minister. The business plan should include the agency's strategic directions, an overview of the agency's current and future programs and activities, the resources needed to meet its goals and objectives, an assessment of issues facing the agency, the performance measures and targets, a risk assessment, and strategies adopted by the agency to manage the identified risks, the proposed funding requirements, revenues, and the operating and capital expenditures of the agency.
- An annual report should be submitted by every agency to the responsible minister. Among other things, the annual report must contain a discussion of performance targets achieved and not achieved, and the actions to be taken by the agency if performance targets are not achieved, an analysis of the agency's operational and financial performance, and audited financial statements.

The Ministry of Government Services has also developed tools to help the boards of agencies practise good governance. These tools are available

on its Agency Network Solutions extranet site and include:

- best-practice guides for the preparation of annual business plans, memoranda of understanding, tabling an annual report, and remuneration of appointees;
- position descriptions identifying key duties and qualifications of the chair, vice-chair, and other members of the board. These can be used to inform new appointees to boards about their role and clarify expectations;
- core competencies describing the key skills, abilities, and behaviours desired for each of the above positions for effective performance;
- standards of ethical and professional conduct expected of all board appointees;
- a board questionnaire which facilitates discussion on how well the members function together as a group; and
- other tools that serve to collect information on an individual basis about board appointees for planning and discussion purposes.

In addition, Ministry of Government Services officials and agency co-ordinators at the various ministries meet regularly to discuss agencies' compliance with the Directive and to share best practices of individual agencies. We understand that a presentation entitled "Orientation Program for Operational Agency Appointees" has recently been developed and will be made available to ministries and agencies to help prepare new members of operational agency boards to assume their responsibilities.

The Directive and these other initiatives have enhanced corporate governance within the province's Crown agencies since we last reported on this issue in our *1999 Annual Report*. For example, in our capacity as external auditor of a number of government agencies, we have generally observed an improvement in the practices of most audit committees in overseeing their areas of responsibilities. Examples include the following:

- the Ontario Financing Authority has on its board of directors members from the private sector familiar with complex financing arrangements and activities, a practice that assists the board in overseeing the Authority's financial risk management, control, and reporting activities;
- a number of the larger agencies, such as the Workplace Safety and Insurance Board and the Ontario Financing Authority, have used the services of their internal auditors to do formal risk assessments of their operations;
- the Liquor Control Board of Ontario has recently completed a number of governance-improvement initiatives, such as separating the roles of the Chair and the Chief Executive Officer, increasing the number of independent directors, separating governance-committee responsibilities from the audit committee, and providing financial literacy training to board members to enhance their effectiveness; and
- the Ontario Securities Commission and Ontario Energy Board have both made efforts to comply voluntarily with the spirit of private-sector requirements that chief executive officers and chief financial officers certify internal controls over financial reporting. These requirements currently apply only to publicly traded corporations.

As part of our value-for-money audit of the rail operations of GO Transit (see Section 3.07 in Chapter 3), and at the request of its Chair, we conducted a detailed review of the corporate-governance

practices of GO Transit's Board of Directors. We examined more than three years of board activity, and interviewed many current and former board members. From our review, we made a number of recommendations to strengthen GO Transit's corporate-governance practices and provide for more effective oversight of management and operations. These are summarized in Section 3.07, although more detailed recommendations were also provided to the Board for their consideration. Our discussions with the Chairman of the Board indicated that these recommendations were discussed in detail at a meeting of the Board.

Agency boards may be at various stages in adopting best practices for corporate governance. While some agencies may already have comprehensive practices in place, others may still be developing them or may have been affected by recent restructuring, as was the case with GO Transit. We encourage the boards of all agencies, if they have not already done so, to conduct a self-evaluation of their current governance practices to see if they, too, could strengthen their current practices. While there are numerous sources of guidance on effective governance practices, the following attributes of effective board governance (see Figure 3), developed by the Office of the Auditor General of Manitoba, were very helpful in our review of the governance practices of GO Transit. We believe these attributes of effective governance would serve as a useful benchmark for the boards of directors of other Crown agencies to consider.



### Figure 3: Attributes of Effective Governance

Source of data: Office of the Auditor General of Manitoba

Attribute	Expectation
Purpose and accountability	<ul style="list-style-type: none"> <li>Boards are responsible for setting the direction of their organization, which requires time and attention be paid to organizational vision, mission, goals, priorities, and risk management.</li> <li>Boards are accountable for what is accomplished by the organization and must ensure that all accountability obligations are discharged.</li> </ul>
Rationale and link to community	<ul style="list-style-type: none"> <li>Boards should be composed of individuals who have the appropriate mix of knowledge and skills, and who represent the needs, values, and perspectives of their stakeholders and community.</li> </ul>
Board roles, responsibilities, and functions	<ul style="list-style-type: none"> <li>Boards should be clear on their role and responsibilities, as well as ensure that corporate bylaws and policies are followed.</li> </ul>
Board member commitment	<ul style="list-style-type: none"> <li>Board members are committed and devote sufficient time and energy to their board duties.</li> </ul>
Board information for decision-making	<ul style="list-style-type: none"> <li>Boards should be provided with sufficient and appropriate information, on a timely basis, for decision-making. This includes having access to external sources of information, if/when required.</li> </ul>
Board organization	<ul style="list-style-type: none"> <li>Boards should be well-organized, with appropriate processes and structures in place to accomplish their responsibilities, and with all members contributing as a team.</li> </ul>
External board relationships	<ul style="list-style-type: none"> <li>Boards should ensure effective communication, consultation, and collaboration with all external stakeholders, including government (their primary stakeholder).</li> </ul>
Internal relationships	<ul style="list-style-type: none"> <li>Boards should develop a productive working relationship with senior management, where roles and authorities are clearly delineated, and performance is evaluated on a regular basis.</li> </ul>
Board effectiveness and impact	<ul style="list-style-type: none"> <li>Boards conduct periodic evaluations of their own performance and contribution to the effective governance of their organization.</li> </ul>



# Reports on Value-for-money Audits

Our value-for-money audits are intended to examine how well government and organizations in the broader public sector manage their programs and activities, to determine whether they comply with relevant legislation and authorities, and, most importantly, to identify any opportunities for improving the economy, efficiency, and effectiveness measures of their operations. These audits are conducted under subsection 12(2) of the *Auditor General Act*, which requires that the Office report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of service delivery. This chapter contains the conclusions, observations, and recommendations for the value-for-money audits conducted in the past audit year.

The ministry programs and activities and the organizations in the broader public sector audited this year were selected by the Office's senior management on the basis of various criteria, such as a program's or organization's financial impact, its significance to the Legislative Assembly, related issues of public sensitivity and safety, and, in the case of ministry programs, the results of past audits and related follow-up work.

We plan, perform, and report on our value-for-money work in accordance with the professional

standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. Accordingly, our audits include such tests and other procedures as we consider necessary in the circumstances, including obtaining advice from external experts when needed. Our testing generally focuses on activities and transactions conducted in the most recently completed fiscal year.

Before beginning an audit, our staff conduct in-depth research into the area to be audited and meet with auditee representatives to discuss the focus of the audit. During the audit, staff maintain an ongoing dialogue with the auditee to review the progress of the audit and ensure open lines of communication. At the conclusion of the audit fieldwork, which is normally completed by May of that audit year, a draft report is prepared, reviewed internally, and then discussed with the auditee. Senior Office staff meet with senior management from the ministry, agency, or organization in the broader public sector to discuss the draft report and to finalize the management responses to our recommendations, which are then incorporated into the report in each of the VFM sections.

# Archives of Ontario and Information Storage and Retrieval Services

## Background

### RESPONSIBILITY FOR RECORDS MANAGEMENT

The Archives of Ontario (Archives), which was established in 1903 and since 2005 has been under the Ministry of Government Services (Ministry), has a broad mandate to oversee and manage recorded information created by ministries and most agencies, and to preserve recorded information of historical and permanent value and make it accessible to the public. Under the *Archives Act*, the Archivist of Ontario has sole responsibility for approving the ultimate preservation or disposal of all documents and records in paper, electronic, and other forms, and for giving final approval to retention periods for all information recorded by the government.

Under the Management Board's Management of Recorded Information Directive, the Archives is responsible for setting government-wide policies, standards, and procedures for the management and storage of recorded information and for identifying recorded information of archival value. Ministries and agencies must provide the Archives, on request, with all information that the Archives needs for

planning and monitoring the efficient government-wide management of recorded information.

The directive makes the Archives also responsible for:

- developing plans for reducing the growth in the volume of stored records throughout the government;
- developing techniques for managing recorded information;
- ensuring implementation of educational programs and the creation of related instructional materials that provide training for ministries and agencies in the management of recorded information; and
- monitoring compliance by ministries and agencies with record-retention schedules.

The directive also applies to all ministries and most agencies and to all their recorded information created, commissioned, or otherwise acquired by the Ontario government. Ministries and agencies must ensure that their policies and procedures for managing recorded information are consistent with government-wide directives and standards, and that proper procedures are established to facilitate the management of recorded information and to contain the growth in the volume of stored records. For each program area or group of records, ministries or agencies must prepare a record-information

schedule (hereafter referred to as a record-retention schedule) that describes the records, the length of time they are to be retained, and the final disposition of the records, that is, which ones can be destroyed and which should be transferred to the custody and ownership of the Archives.

## THE ARCHIVES OF ONTARIO

The Archives' operations consist of three major activities:

- setting government-wide policies, standards, and procedures for recorded information; advising and training ministries and agencies in record management; and authorizing record-retention schedules that ministries and agencies submit to the Archives for approval;
- managing the storage, preservation, and description of archival records, the government of Ontario art collection, and donated private holdings; and
- providing access for both public and government users to archival records and promoting its collections.

The government records held in the Archives include, among other things, land records, court records, business registrations, registrations of births, marriages, and deaths, public-works building plans, records from the offices of the former premiers of Ontario, and photographs and films promoting tourism in Ontario. The Archives also holds donated items of historic significance from over 2,600 private individuals, businesses, and organizations. The Archives' collections were appraised in February 2005 at over \$411 million, as shown in Figure 1.

Access to the Archives' collections can be obtained through its reading rooms, the Internet, and public libraries via the inter-library-loan microfilm program. Annually, customer inquiries and access requests for the archival and art collections include 20,000 visits to reading rooms at its customer-service facility, 70,000 research requests,

**Figure 1: Appraised Value of Archives of Ontario's Collections, February 2005**

Source of data: Archives of Ontario

Type of Holding	Estimated Quantity	Value (\$ million)
textual records	354,000 containers	309
maps and architectural drawings	180,000	43
gov't of Ontario art collection	2,500 works of art	16
photographs	1.7 million	11
electronic records	180 gigabytes	10
sound and moving images	15,000 hours	6
documentary art	10,500 pieces	5
other*	128,000 items	11
<b>Total</b>		<b>411</b>

\* includes publications and microfilms

16,000 microfilm loan requests, and more than 25 million visits to the Archives' website.

In the 2006/07 fiscal year, the Archives' expenditures were \$16.7 million and it employed about 100 staff. The head office of the Archives, in Toronto's Queen's Park area, includes reading rooms, a library, restoration and storage facilities, and administrative offices. The Archives stores about 15% of its collections at its head office and the rest through the services and facilities of a private company in the Greater Toronto Area (GTA).

## INFORMATION STORAGE AND RETRIEVAL UNIT

Since 1968, the Ontario government's official record centre has been provided by the Information Storage and Retrieval unit (ISR), which for the last several years has been the responsibility of the Ontario Shared Services of the Ministry. Records that are not needed on an ongoing basis by a ministry or agency are transferred to and stored in ISR warehouses. These semi-active records remain the property of the ministry or agency, and the ISR

provides them with retrieval and re-filing services as requested. All records transferred to ISR warehouses must be accompanied by a record-retention schedule authorized by the Archivist. These schedules indicate the length of time the records are to be stored in the ISR warehouse and whether they are to be destroyed or transferred to the Archives at the end of that time. Storage periods usually range from five to 100 years.

As of March 31, 2007, ISR's total holdings were about 1 million containers of records, or almost 1 million cubic feet (28,000 cubic metres) of storage. Approximately 60% of the total holdings were stored by a private company, and the other 40% were stored at two government-owned and -operated warehouses. Recently, the volume of records held by ISR has been growing by more than 60,000 containers annually, and every year over 100,000 containers and files are requested to be retrieved—because the information in them is needed at that time by ministries and agencies—and about 22,000 containers are destroyed. ISR expenditures for the 2006/07 fiscal year, including the cost of approximately 18 staff, were \$2.5 million. All its costs are recovered from its client ministries and agencies.

Effective April 1, 2007, responsibility for the ISR operations was transferred from the Ontario Shared Services to the Archives.

## Audit Objective and Scope

Our audit objective was to assess whether the Archives of Ontario and the Ontario Shared Services of the Ministry of Government Services had adequate policies, systems, and procedures for administering their responsibilities for information storage and retrieval and for acquiring, preserving, safeguarding, and managing the archival records and collections in accordance with legislation and the Management Board directive.

We conducted our audit work primarily at the Archives' head office and at ISR offices. Our field-work included interviewing personnel; analyzing pertinent information, records, and statistics; observing and testing physical inventories of records and archival materials in storage at both government- and privately operated warehouses used by the Archives and ISR; and reviewing relevant studies and major contracts. The scope of our audit included the assessment of the policies and procedures followed by the Archives and ISR, as well as of the extent to which the Archives monitors compliance with corporate record-management policies by ministries and applicable agencies. In this regard, we asked 12 ministries and agencies about their record-management practices. However, we did not audit those practices.

We also researched the practices of other provincial jurisdictions as well as national ones; our work in this regard included meeting with representatives of Library and Archives Canada and the City of Toronto Archives and touring their facilities. In addition, we met with the Information and Privacy Commissioner of Ontario and her staff and the Chief Information and Privacy Officer within the Ministry to obtain their perspectives on privacy issues, records management, and archival practices.

We also reviewed work done by the Ministry's internal auditors and noted that, although they had not done any recent related audits, the work they did in 2001 and 2004 to help the Archives assess the risks to archival records stored at its head office was still relevant and allowed us to reduce the scope of our work in this area.

## Summary

Although the Archives had recently introduced a number of initiatives to upgrade its facilities and information systems, it did not yet have adequate systems and procedures to ensure that information

of historical significance is being identified, stored, or archived safely and securely, and made readily accessible to users. The large growth and sheer volume of records destined for the Archives—both the paper records in containers stored at the ISR and the electronic records still located throughout the government—will make it extremely difficult for the Archives to identify and catalogue archival records of historical or permanent value—and that is an essential first step in providing useful and timely access to the public, academia, and government users. Our more significant observations were as follows:

- Progress was being made in ensuring the safe storage of archival records. In the 2005/06 fiscal year, the Archives moved more than 300,000 containers from ISR warehouses and its head office to an environmentally sound and secure storage facility. In 2009, it will be moving its head office to a new facility, where it will be able to store its remaining collections properly. It has also acquired new and upgraded computerized information systems to track the contents and locations of containers and to describe the archival collections in more detail for better access by the public.
- The Archives did not have adequate systems and procedures for ensuring that the ministries' and agencies' record-retention schedules, which are used to set retention periods for records and identify those with archival value, were complete and up-to-date. The Archives' systems were also unable to track the estimated more than 10,000 schedules that existed and ensure that all record-retention schedules required were actually obtained.
- The Archives had no information on ministries' actual record-management practices and compliance with the directive, nor had it tried to obtain this information. The volume of records in ISR storage facilities has more than doubled in the last 15 years, and this trend is expected to continue; yet the Archives had not established any plans—as it is required to do under the directive—to help ministries and agencies reduce the growth.
- The Archives did not have a comprehensive strategy for dealing with the extensive electronic documents and records that will need to be archived nor the technical expertise and capacity necessary to store and make them available to the public. The Archives had so far relied on the government's IT community for preserving and maintaining electronic records.
- We found a number of weaknesses in inventory-control practices in use by the Archives, in both the current and past years. For example, a revised estimate in the 2002/03 fiscal year reduced the number of photos in the collection to fewer than half of the 3.6 million that had previously been thought to be archived. Some of these weaknesses have resulted in significant losses over the years. For instance, there were missing archival items from the 17th and 18th centuries.
- Many archival records were not readily accessible to the public because they had not been processed or fully described in the Archives' descriptive database. For instance, many of the inventory records rely on estimates or general descriptions of the contents of the over 380,000 containers because the records are not catalogued or fully described. And although the Archives has paid more than \$1.2 million in the last two years to create detailed lists of the contents of over 81,000 containers of records, it was unable to transfer the data to its database because the lists contain personal information that is protected under the *Freedom of Information and Protection of Privacy Act*.

- While the Archives' storage facilities will soon be adequate, ISR's storage facilities and methods posed a risk of deterioration to archival records because of inadequate facilities and the long periods for which archival records remain there. The Archives' inspections of ISR's three storage warehouses found that proper environments and building controls had not been established and maintained, yet no action had been taken to address this problem. In addition, approximately 600 artworks valued at over \$1 million were located in a basement that was unsuitable for storage.
- There were no follow-up procedures at ISR for ensuring that records retrieved by ministries and agencies from storage were returned. At least 11,000 containers and 468,000 files had not been returned to ISR, including over half that were destined for the Archives and over half that had been missing for five years or more.
- Security and privacy risk assessments were not conducted for ISR storage facilities, and inspections did not ensure that the storage contractor met the confidentiality requirements included in its storage agreement.

The Archives and ISR also had not ensured that contracts with service providers were managed properly and that documents were retained to support their procurement processes and decisions.

## OVERALL ARCHIVES' RESPONSE

The Auditor General has made many useful recommendations, and the Archives will proceed to act on them. We are pleased to note that the Auditor has recognized that the Archives is making progress in improving its operations, guided by multi-year strategic plans established by the current Archivist of Ontario. Significant progress has been made with the passage of the

*Archives and Recordkeeping Act*, the introduction of an inventory control system, the establishment of a private-sector partnership for the storage of archival records, and the building of a new main customer-service facility.

## Detailed Audit Observations

### RECENT INITIATIVES

We noted that the Archives had been making progress in improving its operations. The changes were based on the Archives' multi-year strategic plans, the first of which was established in 2000 after the appointment of the current Archivist of Ontario. The goals of the most recent plan included better support for its government clients in their management of records, greater awareness by the public of the Archives' collections, improved descriptions of and public access to its collections, and the acquisition of facilities suitable for long-term preservation and storage.

In order to meet those goals, the Archives had undertaken a number of initiatives:

- Until the 2004/05 fiscal year, the Archives had stored most archival records at ISR's facilities. In September 2003, the Archives signed a long-term contract with a private company for storage and retrieval services in a new environmentally sound facility located in the GTA. From April 2005 to March 2006, the Archives moved some 300,000 containers from ISR facilities and the Archives' head office to the new private facility, which now stores more than 80% of the Archives' collections.
- New or upgraded computerized information systems were put in place to track the contents and locations of containers, to describe the



archival records in more detail, and to create digital images of objects and works of art in the collection.

- From January 2004 to March 2007, more than 300,000 containers were inspected and their contents confirmed, and detailed descriptions were made of the contents of over 80,000 containers.
- Over the last two fiscal years, the Archives had been following a preventive preservation strategy. It had assessed the condition of over 26,000 at-risk archival items, including architectural plans, photos, documentary arts, textual records, and bound volumes. At the time of our audit, preservation treatments had been done on almost 16,000 items.
- The current head office was being used to store a significant number of archival documents, and it did not meet accepted standards for archival storage. However, in 2009, the Archives' head office will be moved to a new building at the York University campus in Toronto.

In addition, as part of a rationalization of service delivery in the Ministry, responsibility for ISR operations had been transferred from the Ontario Shared Services to the Archives as of April 1, 2007. Another significant change was the passing of the *Archives and Recordkeeping Act, 2006*, which replaces the *Archives Act* and came into force on September 1, 2007. The new Act puts into law the existing requirements of the directive, thus strengthening the responsibilities of both the Archives and Archivist and the ministries and agencies.

## RECORD-RETENTION SCHEDULES

The Archives relies on ministries and agencies to provide it with up-to-date record-retention schedules for approval. According to the directive, ministries and agencies must develop record-retention

schedules to govern the retention and disposal of all recorded information under their control. The schedules must be kept current to reflect changes in the content of information and in its structure, custody, origins, and purpose. The schedules indicate the length of time the records are to be retained and how they are to be disposed of at the end of that time. If the records have archival value, they are to be transferred to the custody and ownership of the Archives. Otherwise, they will be destroyed.

While the directive gave the Archives the responsibility for overseeing records management and approving all record-retention schedules, the Archives did not establish adequate systems and procedures for ensuring that the ministries' and agencies' schedules were complete and up-to-date. Not preparing or improperly preparing a record-retention schedule could result in information of archival value being destroyed and/or ministries and agencies incurring costs for longer-than-necessary storage of those non-archival records that otherwise would be destroyed. We noted the following.

### Assessments of Need to Prepare Schedules

The Archives conducts “functional-analysis assessments” of individual ministries and agencies to identify important functions and activities within program areas and the type of records they create. On the basis of the information gathered from these assessments, the Archives appraises a ministry's or agency's recorded information for its archival value. Specifically, the Archives examines information documenting the deliberations, decisions, and actions of government in relation to its assigned business functions, programs, and activities to determine its significance and whether the records are sufficiently detailed. The appraisal decision is documented in a records-retention schedule and determines what recorded information is ultimately sent to archives and what is destroyed.

According to Archives policy, the functional-analysis documents should be updated regularly or as required, to ensure that they reflect the current functions of the ministries and agencies. Our audit found that the Archives had prepared and updated its functional analyses for all but one ministry over the last two years, and we were informed that the remaining one will be completed shortly. However, there were only seven functional analyses on file for the over 200 Crown agencies that the Archives has responsibility for, and three of these had been prepared 10 years previously. We were informed that, because of limited resources, only a few functional analyses of agencies were to be done during the 2007/08 fiscal year.

We reviewed the functional analyses prepared for four ministries and noted that the need to prepare more detailed analyses had been identified, but not done, for more than 115 government branches, offices, and units. We were informed that they will not be done unless the ministry or agency submits record-retention schedules. In these cases, the functional analyses reports noted that a large number of the record-retention schedules for these ministries were missing or out-of-date or did not correspond to the current structure of the ministries.

We also noted that the Archives had no mechanism for ensuring that actions were taken to complete the more detailed analyses for all areas or to ensure that all record-retention schedules were obtained. There was also no formal ministry or agency involvement in preparing the functional analyses, and the results of the analyses were not submitted to the ministries or agencies for their review.

### Systems for Tracking Record-retention Schedules

The Archives' systems were unable to track record-retention schedules, since it did not first establish

which program areas required schedules and whether they had been received. As previously indicated, functional analyses and more detailed analyses were not used to track and remind ministries and agencies to submit new or updated retention schedules.

We also encountered difficulties in using the Archives' records for assessing the extent of compliance by ministries and agencies. The Archives used over 120 binders to store the more than 10,000 record-retention schedules, and the records were poorly indexed for tracking purposes.

We contacted four ministries and compared their records of active schedules and the schedules maintained by the Archives. For two of the ministries, we were able to reconcile the Archives' records with those of the ministries. However, of the more than 800 schedules that existed as reported by the two other ministries, we were unable to find more than 110, or 14%, in the Archives' binders. According to the ministries, the missing schedules were for retention and disposition of accounting, health-related, and other administration records.

We also noted from the Archives' records that only about 40 of more than 200 agencies that were required to have the Archives' approval for their record-retention schedules were on file as having submitted at least one such schedule. We contacted seven agencies whose schedules we could not find in the Archives' records and confirmed that four were not submitting schedules as required by the directive and had not been exempted from doing so by the agencies' memorandum of understanding with their ministry. All these agencies told us that they created records and stored them on site, and one of them informed us that it had numerous case files dating back to the 1970s in storage. The other three agencies did in fact have schedules, but they could not readily be located in the Archives' binders because of the lack of organization of some of the binders.

ISR requires all its clients to submit a copy of an approved retention schedule before it will accept records for storage. Though the ISR records may have been of use in tracking record-retention schedules, ISR's computerized inventory tracking system includes only the small amount of information from the schedules that was necessary for storage purposes and the system was of limited use because of its age.

We noted that the Archives has been developing a new computer database since the 2004/05 fiscal year for tracking retention schedules, but this was not complete at the end of our audit.

### RECOMMENDATION 1

To ensure that records created by all program areas of ministries and agencies are assessed for their archival value and the length of time they should remain in storage, the Archives, in collaboration with ministries and agencies, should:

- complete its analysis of each ministry and agency, establish a list of all program areas that are required to prepare record-retention schedules, and periodically update that list; and
- complete its system enhancements so that it can ensure that it obtains and authorizes record-retention schedules from all those required to provide one.

### ARCHIVES' RESPONSE

We are pleased that the Auditor has noted the enhancements we are making to the system for approving and maintaining record-retention schedules. This work will continue in order to arrive at a complete and up-to-date set of record-retention schedules for all ministries and designated agencies.

The Archives plans to complete the ministry analyses by the end of March 2008. A strategy has been developed to complete each agency's

analysis when its associated ministry analysis is updated and revised. This is a multi-year strategy with implementation beginning in January 2008.

### OVERSEEING OF MINISTRY AND AGENCY RECORD-MANAGEMENT PRACTICES

Ministries and agencies must provide the Archives, on request, with all information that the Archives needs for planning and monitoring the efficient government-wide management of recorded information. In general, we observed that the Archives had no information on ministries' actual record-management practices and their compliance with the directive, nor had it tried to obtain this information. In a 2004 program review of the Archives' and ISR's operations, a consultant was also concerned that not all recorded information in ministries was being managed in accordance with the directive. The consultant noted that few resources had been allocated to the overseeing of ministries' and agencies' management of recorded information and that little current information on the government-wide state of records management was available.

The Archives provides ministries and agencies with guidelines for managing the retention and disposal of records through the government's record-scheduling program, as well as information bulletins on special topics in record management. For large assignments, up until April 1, 2007, the Archives also offered advice on a fee-for-service basis. The benefits to ministries and agencies that review their record management with the help of the Archives expertise can be significant. For instance, one major review of a ministry's records management in the late 1990s resulted in the amalgamation of about 700 record-retention schedules into only 45, the inclusion of schedules for almost 50% of the ministry's records that had previously

been omitted, and savings to the ministry of over \$1 million over five years through the relocation of records stored in office space to the less costly ISR records centre.

The Archives told us that it could not be sure that ministries and agencies were storing their records in suitable facilities. We were informed that all ministries and 16 of the more than 200 agencies were using ISR services for storing off-site records. However, the Archives has not approved other off-site storage facilities for any ministry or agency. One ministry advised us that it was storing its records in a basement and a warehouse without the Archives' approval instead of using ISR's facilities.

In our discussions with management at Library and Archives Canada, we noted that, in February 2007, management distributed a survey to a representative sample of federal institutions to gather information on the record-management practices being followed for records identified as archival. The survey included questions about recordkeeping practices and storage environments, including the specific environments for media records. The information obtained through this survey was to be included in a report titled *Report on the Condition of Archival Records in Federal Institutions*, planned to be issued in fall 2007.

## RECOMMENDATION 2

To ensure that the Archives can fulfill its obligations to monitor compliance by ministries and agencies with record-management requirements, it should:

- establish a cost-effective means of periodically obtaining the information it needs to monitor ministry and agency compliance; and
- use this information to identify best practices among ministries and agencies and address any gaps between the directive, Archives policies and guidelines, and actual record-management practices.

## ARCHIVES' RESPONSE

The Archives agrees with the recommendation. A new Record Keeping Support Unit established at the Archives became operational October 1, 2007. Its responsibilities include development of best-practice standards, guidelines, and training materials to support ministries' and agencies' recordkeeping practices. The *Archives and Recordkeeping Act* directs the Archivist to establish standards and guidelines and to make them available. The new Record Keeping Support Unit will play a key part in ensuring compliance, and the recent move of Information Storage and Retrieval (ISR) to the Archives will also allow us to better monitor compliance. Ongoing research into best practices used by other governments will support this work.

## ELECTRONIC RECORDS

The way governments conduct their business has been changed rapidly by information technology (IT). Increasingly, official documents and records are being created, collected, stored, accessed, and distributed in electronic form, and a wide variety of IT systems and applications are in use. Paper records often no longer exist. According to a 2003 internal document used to justify the modernization of the *Archives Act*:

The Ontario government is facing at least a 20-year gap in its corporate memory due to fragile and degraded storage media, obsolete software and hardware, lack of systems documentation and the absence of effective policies and procedures on the proper management of electronic records. While many of these electronic records are printed and filed, many are not. Indeed, many offices operate in a mixed paper and electronic

environment, without determining which record will serve as the official copy. This duplication adds further to the record-keeping burden.

The Archives has so far relied on the government's IT community for preserving and maintaining electronic records with archival value. The Archives does not currently have the expertise and capacity to store and make available the numerous electronic records that exist. Making electronic records available poses unique challenges, often because of the need to support the hardware and software programs that are used to access the records. At the time of our audit, the Archives had accepted only 220 gigabytes of archival electronic records from ministries and agencies—the same volume that can be stored on a typical home computer.

The Archives also did not have a clear and comprehensive strategy for dealing with archival electronic records. We received from the Archives two draft documents on the archiving of electronic records: a preservation strategy for archival electronic records, including strategic plans for making changes over the period 2007 to 2011; and a guideline written in July 2005 intended to cover the transferring of electronic records to the Archives.

The need to finalize its strategies and improve its capacity to deal with electronic records is urgent because the Archives expects there will be an enormous growth in the volume of archival electronic records. In addition, retention schedules created since 2000 have included electronic records and many of the retention periods will soon be expiring.

Representatives of the City of Toronto told us that it had embarked on several initiatives to manage electronic documents in accordance with nationally and internationally recognized best practices for information management. These initiatives include a city-wide strategy for managing electronic documents and records, and pilot projects in late 2007 for managing documents and records in four city departments.

### RECOMMENDATION 3

In order for the Archives to oversee, manage, and archive electronic documents and records created by ministries and agencies, the Archives should:

- ensure that it has the necessary technical expertise and capacity to deal with electronic records; and
- then establish and implement strategic plans that would permit the efficient transfer of archival electronic documents and records to the Archives in accordance with recognized best practices for information management.

### ARCHIVES' RESPONSE

The Archives concurs that the activities of government are increasingly being documented by electronic records; indeed, they are now more often the only record. As the Auditor noted, the volume of archival material entering the Archives in electronic form so far is minimal; however, that volume will be increasing exponentially in the next decade. The Archives recently completed an extensive research project to identify best practices in archival electronic records, resulting in the Preservation of Archival Electronic Records Strategic Plan, 2007–2011, approved in July 2007. The plan identifies the need to develop an approach that is flexible and adaptable to accommodate varying formats of archival electronic records while preserving authentic and meaningful electronic records.

In addition to continuing to build capacity, the Archives will undertake a pilot project to process a small collection of electronic records in 2008/09 so that issues around arrangement, description, and access for electronic records can begin to be identified and addressed.



The Archives will also seek support from the Office of the Corporate Chief Information and Privacy Officer to establish and implement standards for electronic recordkeeping in government, including the long-term preservation of digital records.

## GROWTH IN VOLUME OF STORED RECORDS

According to the directive, the Archives is responsible for creating plans to reduce the growth in the volume of records stored throughout the government. We found no recent evidence that any such plans had been drawn up or studied, and as already noted, the Archives had no information on record-management practices in ministries and agencies. We noted that, instead, ISR and the Archives had made arrangements for accommodating the current and expected growth of semi-active and archival records respectively.

We were concerned that the lack of a plan for reducing the volume of stored records created by ministries and agencies could contribute to its increase. Figure 2 shows the growth in the volume of records (mainly paper records) stored at ISR facilities from 1991 to 2006. We noted that the volume of records stored over this period had more than doubled, and the Archives expects that this trend will continue.

### The Archives' Records

We noted that approximately 60% of all records stored at ISR's facilities, or about 600,000 containers, were designated for transfer to the Archives at the end of their retention periods. As noted earlier, the Archives was also expecting that there would be enormous growth in the number of archival electronic records that will have to be stored and processed. We found it surprising that this high a

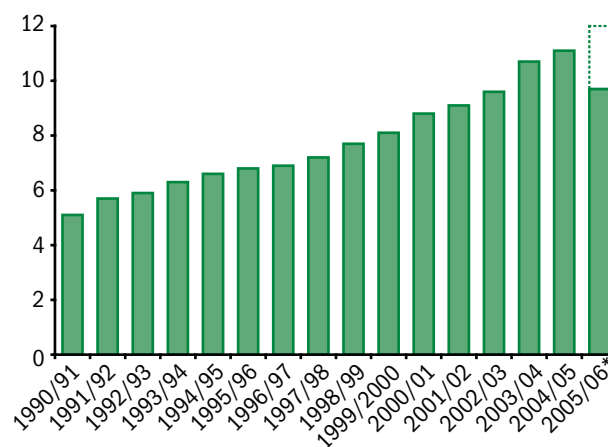
percentage of all government records produced would be deemed of historical or permanent value, and anecdotal evidence indicated that this percentage is much higher than the average in other jurisdictions. Over the next 20 or 30 years, this may more than double or triple the collections of the Archives and the cost of maintaining the inventory.

If these trends and the reasons for the growth in records are studied regularly, timely plans can be made to target areas where more efficiency may be needed to manage and reduce the volume of stored records. However, the significant increase in records in storage and electronic records destined for the Archives will also need to be reassessed. The sheer volume of such records being archived every year makes it extremely difficult, if not impossible, to identify and catalogue all historically significant information, which is an essential first step in providing useful and timely access to the public, academia, and government users.

One method for controlling the growth of storage volume could be the greater use of standardized record-retention schedules, including their retro-active use for existing records. In the 1990s, the

**Figure 2: Records in Storage at ISR, 1991–2006 (million cubic feet)**

Source of data: Information Storage and Retrieval unit



\* Up until the 2004/05 fiscal year, the Archives used ISR facilities to store most archival records. The drop in volume in 2005/06 was due to the transfer of about 230,000 containers (as indicated by dotted line) to the Archives' new private storage facility.



Archives developed standardized record-retention schedules for various administrative areas, such as payroll and accounting. The use of these schedules can streamline the preparation of schedules for these areas in different ministries and agencies and can encourage consistency in the setting of retention periods, thereby reducing unnecessary long storage periods for government records and helping to control record volumes.

The Archives had not effectively promoted and monitored the use of such standardized schedules. For example, when ministries and agencies intend to start using common schedules, they are required to send a Notification of Adoption of Common Schedules form to the Archives; however, the Archives could tell us of only three cases where it had received this form out of the potentially hundreds of cases where common schedules may be in use. We also understand from ISR that it permitted ministries and agencies to adopt common schedules but that the Archives was not notified.

### ISR Records

Though ministries and agencies pay for ISR's storage services, ISR can help, through its procedures, to minimize storage costs and the volume of records in ISR storage facilities by ensuring that records are stored only for the minimum period authorized before they are destroyed or transferred to the Archives.

We identified the following areas for improvement in the storage and retrieval procedures in use at the ISR for semi-active records:

- ISR's container-tracking systems showed that over 37,000 containers of records had retention periods that had expired more than one year previously. Approximately 12,000 of these containers were to be transferred to the Archives. In such cases, ISR requires that ministries submit a form once a year authorizing the extension period. In our sample, we noted

that ISR generally had recent authorizations on file; however, there was no requirement for ministries to document the reasons for the extension, and the Archivist had no policy on extensions by ministries or the need for the Archivist to authorize a revision to the originally approved retention schedule. Some of the records we sampled had been on hold past their retention schedules since the 1960s and 1970s. An operational review study prepared for ISR by a consultant in 2004 also reported that about 30,000 cubic feet of records in storage were past the destruction date, and it recommended that ISR increase its efforts to obtain ministry authorization to destroy these records.

- Many ministries and agencies that requested records for retrieval from storage did not return them to ISR. ISR's system showed that, since the computerized container-tracking system was installed in 1991, over 100,000 containers and over 900,000 files had been retrieved for its clients, and that at least 11,000 (11%) and 468,000 (52%) respectively had not been returned to ISR. It was estimated that more than half of the unreturned items were destined for the Archives and that over half had been missing for five years or more. There was no follow-up policy or procedure for ensuring that these files and containers were returned to ISR.

We also noted that about 102,000 containers of records had retention periods that were to last until 2099, according to ISR systems; about 60% of those were scheduled to be transferred to the Archives after that. We noted that the majority of these records were subject to a moratorium authorized by the Archives because of an investigation, an inquiry, or litigation. These moratoriums restrict public access to the records until at least the year 2010. However, we were pleased to note that, in December 2006, the Archives established a new

policy under which client ministries are to confirm annually in writing the need for the moratorium and the Archives is to forward a copy of the confirmation to ISR.

In addition, we found a shelf in the storage area containing several hundred maps. The maps were not recorded in the ISR container-tracking system and could not be linked to a valid record-retention schedule.

#### RECOMMENDATION 4

To fulfill its obligations to manage the growth in the volume of stored government records, the Archives should, in collaboration with ministries and agencies, develop strategies and timetables for reducing the growth in and minimizing the volume of records that require storage.

In order to manage the expected significant growth in the number of records destined for the Archives and to ensure that the Archives can manage its operations cost-effectively in future, the Archives should identify and accept only those records that clearly have permanent and historical significance.

To ensure that records are not being stored longer than they need to be, the Archives should determine the number and types of records that remain in ISR storage facilities past their originally authorized retention dates or are unaccounted for and the reasons for the delays in their disposition. It should use this information to evaluate its policies and procedures and those of ISR with the objective of reducing any unnecessary or prolonged storage of records and delays in transferring archival records.

In addition, the Archives should investigate ministries and agencies that have not returned records that they retrieved from ISR and should implement controls that will ensure that unreturned records are followed up.

#### ARCHIVES' RESPONSE

The Archives is committed to retaining only those records with permanent and historical significance, and is continuously refining and improving its processes to accomplish this. The Archives acknowledges its obligation to manage the volume of stored government records and concurs that reducing growth and minimizing the stored volume of records is key. The Archives recently re-engineered procedures for processing the annual transfer of government records. This new process, which involves an inspection of each container, ensures that the Archives is retaining only the right records. Records assessed as not being significant are identified for destruction and not added to the inventory. In addition, the Archives has developed selection strategies for some high-volume groups of records where only a representative sample is retained. This year, through these measures, 21% of containers in the annual transfer have been rejected as being non-archival.

The Archives is developing policies and procedures for use by ISR to monitor and control the volume of records placed on hold by ministries past their destruction date and the records retrieved by ministries and agencies from storage but not returned. The Auditor noted our efforts to address the issue of records placed on hold because of a moratorium, and we will continue to make improvements to that process.

#### INVENTORY CONTROLS FOR THE ARCHIVES

Proper inventory processes are essential for ensuring that archival items are easy to find and that items can be accounted for and safeguarded against loss or theft. In 2005, the Archives adopted a new

computerized container-tracking system that records the location of over 380,000 containers in the Archives' head office and in its contracted environmentally controlled storage facility. To identify containers and storage areas, the system uses bar-code technology that was implemented in conjunction with the transfer of records from ISR and the Archives' head office to the new private storage facility.

The primary means used by the Archives for reducing inventory losses is to restrict access to the archival collections. Public viewing of records is limited or controlled, or only paper copies or electronic images are made available, and only authorized personnel have access to the storage facilities.

We noted two significant weaknesses in inventory-control practices, both in the current and past years, that increase the risk that archival records will be lost: first, the records and other material, such as photographs, in the containers are not catalogued and the number of items is simply estimated; second, containers are not sealed when in storage or in transit.

These weaknesses may have resulted in significant losses over the years. We noted the following:

- An Archives internal document, dated April 2001 and revised in February 2004, listed over 60 groups of archival private and government materials that had been found to be missing in the past. The document listed hundreds of letters, documents, artifacts, and photographs, primarily from the 17th and 18th centuries and pertaining to prominent families and individuals. We were informed that the losses were likely the result of thefts during the 1970s.
- Summaries of annual inventory records since 2000 provided to us showed two significant inventory reductions: the number of documentary art items was reduced to 6,772 in the 2001/02 fiscal year from 14,250 in the previous fiscal year (a reduction of 52%);

and the number of photos in the collections was reduced to an estimated 1,700,000 in the 2002/03 fiscal year from 3,601,386 in the previous fiscal year (a reduction of 53%). We were informed that these reductions were made in the respective fiscal year on the basis of better estimates of the number of items in storage, although actual counts had still not been made.

- The Archives was aware of some 31,000 containers, including films, tapes, architectural drawings, textual records, and bound volumes, that had not been recorded in its container-tracking system at the time of our audit. These containers were located at the Archives' head office and were listed only on various Excel spreadsheets.
- In April 2005, before the relocation, the Archives determined that 69 containers of records could not be found at ISR's facilities; these disappearances have not been solved.

We also noted that over 300 artworks in the government of Ontario art collection had not been appraised individually or the appraised value was not recorded in the database. Where appraisals were available, they were outdated, usually having been done in the 1980s or 1990s. In addition, the Archives requests that ministries that have custody of artworks provide an annual confirmation that the artworks still exist and are in good condition. The Archives' records showed that more than 100 such items could not be found or had been stolen. The Archives had no policy for following up on such artwork, and its efforts to find missing artwork, including contacting police, were not made consistently.

## RECOMMENDATION 5

To ensure that proper and effective inventory controls are established and maintained for archival records and collections and to reduce the risk of loss and theft, the Archives should

conduct, possibly with the assistance of ministry internal auditors or other experts, a thorough assessment of its inventory and security controls and other loss-prevention measures and correct any deficiencies identified.

### ARCHIVES' RESPONSE

We welcome the Auditor's suggestion to invite ministry internal auditors to conduct a thorough assessment of our inventory and security controls and are pleased to note the Auditor's acknowledgement of the substantial progress made in gaining better inventory controls over the collections in recent years. Ministry internal audit services will review the security controls for the move to the York University site as well as the security protocols and controls to be implemented at the new facility. Internal audit will review the procedures and practices for storage and transportation of records, assess the risks, and make recommendations for improvement.

The Archives has developed more rigorous procedures around processing collections with the aim of improving inventory controls. These procedures will also be applied when backlog collections are processed, and the Archives will continue to explore best practices to improve controls over the collection. At its current facility, access to the storage areas has been limited to retrieval staff, and the Archives continues to work with its off-site storage and handling service provider to ensure the security of collections during transit.

### ACCESS TO ARCHIVAL COLLECTIONS

In 2000, the Archives established an on-line catalogue, called the Archives Descriptive Database, to make the Archives' collections more accessible

to both the government and the public. The information provided by the database includes a general description of each record group, its origin, type of medium, approximate number of files, and directions for accessing the records. The Archives has been enhancing the database with more comprehensive descriptions of the contents of containers; called a finding aid, each description includes a list of the files in a container and more detailed descriptions of the files.

Although the introduction of the database significantly improves access to the archival records, we observed that many archival collections were still not completely accessible to the public because they had not been processed or described in the database or the finding aids were not available. For instance, in a sample of archival items that we tested, including textual records, maps, films, and audio and video recordings, from the Archives' head office and its contractor's storage facility, 40% had not been processed and described in the database. Of the 60% that were described in the database, no finding aids were available for about one-third.

In the last two years, the Archives has paid its private storage contractor more than \$1.2 million to create lists of the contents of over 81,000 containers of records. However, at the time we completed our audit, we were informed that those lists were not available to the public on the database because of restrictions under the *Freedom of Information and Protection of Privacy Act*.

### RECOMMENDATION 6

In order to improve access to archival collections, the Archives should identify records that have not been listed or described fully in its Archives Descriptive Database system and should establish a plan and timetable for their inclusion.

## ARCHIVES' RESPONSE

We agree with the Auditor's recommendation and have begun a thorough review of records not listed or fully described in the Archives Descriptive Database. We have also developed selection criteria for prioritizing these projects. Work has already begun on the high-priority projects and a multi-year plan is in development for the remaining collections. Resourcing affects the rate at which the Archives is able to address these collections.

## STORAGE FACILITIES

Government records that are deemed by the Archivist to be archival need to be preserved indefinitely. Most of the Archives' collections are made of organic materials such as paper, leather (in book bindings), and parchment or consist of other fragile media such as photographic and magnetic media. The environment that they are stored in can significantly affect the rate of deterioration of and damage to the records. Standards for archival storage are published by national and international archival associations and recognized by the Archives. Paper and other records are susceptible to deterioration when not stored properly, such as at the correct temperature and humidity, and protected from fire, smoke, water, insects, and dust. Some archival items, such as videos, microfilms, and photographs, are best preserved in cool or cold storage.

Before 2006, the Archives' collections had been stored in up to six separate locations throughout the Greater Toronto Area, including its head office and ISR warehouses. None of these locations provided effective temperature or humidity control and may not have had adequate measures for fire suppression, security, or air quality. We noted that the Archives' new environmentally controlled storage facility was designed to state-of-the-art standards for archival storage and that it includes

standard storage, cool storage, and cold storage areas. These facilities were at least comparable to new archival facilities used by the City of Toronto and the federal government.

The head office is used by the Archives to store many of its more fragile and valuable collections, but it does not have adequate temperature, humidity, and fire controls. However, arrangements have also been made for a new head office and, in 2009, the Archives will move to a new building to be constructed to its specifications. We identified storage improvements for artwork that would be possible at the Archives' head office until the new building is available.

With respect to ISR's storage facilities, we believe there is a risk of deterioration to archival records because of the inadequate facilities and the long periods that archival records remain there.

## Records Stored at ISR That Are Destined for the Archives

As of March 31, 2007, over 60% of the records stored at the ISR facilities were to be transferred to the Archives at the end of their retention periods. These records usually remain at the ISR facilities for five to 25 years, but they can remain for up to 100 years. The volumes of records in ISR holdings was shown in Figure 2.

By way of comparison, the City of Toronto Archives gives preferential treatment to records destined for its archival collections once they are transferred from departments into semi-active storage. City of Toronto archival records that are semi-active are stored immediately in environmentally sound archival storage areas. This results in better environmental storage at an earlier date and less disruption and movement of containers to multiple storage areas.

The Archives' new private storage facility is designed to meet the storage needs of the Archives for the next 25 years, and it can accommodate double its current volume of records or more. While the



costs of storing items at the facility are significantly greater—about seven times the cost of using ISR facilities—the benefits of better storage of records during their semi-active retention periods may well justify the higher cost. We questioned, however, why the Archives' efforts to protect archival records after the semi-active retention period and reasons for doing so would not apply equally to the records' storage during the semi-active period.

We also compared the efficiency of the Archives' and ISR's retrieval services and noted that the Archives' private contractor provided retrieval services that were comparable to ISR both in terms of turnaround times and costs.

### Quality of Storage Facilities in Use

We compared the environmental controls and building structures of the storage facilities that were in use by ISR and the Archives' present head office with the high standards achieved with the Archives' new private storage facility and identified significant differences and risks to archival records posed by the older buildings (see Figure 3). Although environmental and building deficiencies in the Archives' head office will be corrected in 2009 with the move to a new building, our discussions with Archives and ISR staff did not note any plans for major improvements to the facilities in use by ISR.

The two government-owned buildings used by ISR were brought into service in 1968 and 1990 and were never designed for long-term archival storage. Similarly, none of the contractors used by ISR for storage since the early 1980s had facilities designed to archival standards.

The use of basement storage increases the risk of water damage from flooding. In 1997, a serious flood in the basement of one of the government-owned facilities resulted in \$2 million in cleanup and restoration costs and damage to approximately 25,000 containers, including records with archival value. Despite efforts by the Ontario Realty Corporation, which is the property manager, to correct the

problem, there were two small water incidents in the same location in 2003 and 2005. In addition, there were no electronic water-monitoring systems in the area that could provide early warning of the presence of water, although we were informed that security staff now patrol the area regularly to check for flooding. The basement area continues to be used for the storage of approximately 50,000 containers, of which almost 80% are scheduled for transfer to the Archives because of their historical significance.

### Inspections

The directive requires ISR to provide storage facilities in accordance with standards developed by the Archives. The Archives inspects ISR's three facilities twice a year to ensure that a proper environment has been maintained for the storage of records, and reports on the temperature and humidity in each location. Of the inspections carried out over the last three years, 89% and 28% found that the temperature and humidity, respectively, were out of the minimum and maximum range specified by the Archives.

Moreover, only the two most recent reports noted the outside temperature and humidity, which could be useful information for comparison with the indoor test results. The inspections were not done when the outdoor weather was extreme, say, on very humid and hot days. If they had been done in that kind of weather, they would have allowed for a better assessment of the actual performance of the building systems, the need for upgrades, and compliance with the standards.

In addition, we noted that the Archives requires the private-sector provider of its environmentally controlled storage facility to monitor and report to the Archives the daily environmental readings from the storage areas. These reports allow the Archives to know if its service provider is meeting the requirement that temperature and humidity not fluctuate significantly from day to day. The Archives



**Figure 3: Quality of the Five Storage Facilities Currently in Use**

Source of data: Archives of Ontario; Information Storage and Retrieval unit

	ISR Facilities <sup>1</sup>			Archival Facilities	
	Gov't-owned, #1	Gov't-owned, #2	Contracted Service Provider	Head Office	Contracted Service Provider
<b># of Containers</b>	<b>170,000</b>	<b>202,000</b>	<b>601,000</b>	<b>67,000</b>	<b>357,000</b>
<b>Environmental Controls</b>					
heat	✓	✓	✓	✓	✓
air conditioning <sup>2</sup>	✓	✓		✓	✓
dust				✓	✓
fire sprinkler, water pressure monitored	✓	✓	✓ <sup>3</sup>		✓
groundwater flood detection					✓
cool/cold storage for special media					✓
standby back-up power system for environmental controls					✓
<b>Building Structure</b>					
all record storage areas at/above ground	✓		✓		✓
separate storage vaults for fire protection	<sup>4</sup>				✓
no unnecessary water-supply pipes in storage areas	✓		✓		✓
<b>Security Controls</b>					
24-hr security monitoring/alarm system	✓	✓	✓	✓	✓
controlled access to storage areas	✓	✓	✓	✓ <sup>5</sup>	✓

1. 60% of records in ISR facilities will eventually go to archival facilities

2. to reduce high temperatures and help control humidity

3. except for temporary holding area

4. no separate storage vaults for fire protection except for microfilm storage

5. but basement storage in adjacent Queen's Park building secured only by locked doors

also keeps daily records of the temperature and humidity of the storage areas in its head office. However, daily monitoring reports are not available for ISR's three storage facilities.

Since daily readings were not available, the inspection reports on ISR's facilities compared the temperature and humidity readings from the two previous inspections, which were about six months apart, to assess whether the daily-variation standards had been met, even though this approach did not provide any information about actual daily variations.

We understand that, despite the poor inspection results, no further action was taken. In fact, we

were told by ISR and the Archives that the contractor could not maintain specific temperature and humidity levels because its building systems were not capable of doing so.

In addition, ISR's facilities have air conditioning, which helps to control humidity and temperature in the storage areas. ISR had no procedures or policies for storing records destined for the Archives any differently from records scheduled to be destroyed at the end of the retention period. Regardless of their archival value and the type of medium, records were stored in general warehouse space in any of its three warehouses.

## Artwork Stored at Archives' Head Office

We were concerned that artwork was not stored properly at the Archives' head office. Over 600 government of Ontario artworks with an estimated appraised value of over \$1 million were stored in a basement of a Queen's Park building. In 2006, Archives staff reported that the basement was unsuitable for storage. The report mentioned that the environment in the storage area was poor and that there were security and light problems because of the sharing of the storage room, which was divided by a temporary plywood wall. There were 106 artworks in storage that were judged to be in poor condition or at risk, in some cases because of mould.

### RECOMMENDATION 7

In order to better protect and preserve records that are destined for the Archives and that are normally not stored in facilities with suitable environment and building conditions, the Archives should:

- conduct a cost-benefit and feasibility analysis to determine if it should make greater and earlier use of its environmentally sound storage facility;
- examine ISR's storage policies, procedures, and facilities to identify changes that would improve the environment and building conditions for records in their facilities that are scheduled to be transferred to the Archives; and
- evaluate and make improvements to its inspection program and reporting requirements for ISR's storage facilities and establish policies and procedures for requiring corrective action when inspection results are unsatisfactory.

In addition, the Archives should ensure that government of Ontario artworks are protected

and preserved by storing them in environmentally sound and secure facilities.

### ARCHIVES' RESPONSE

The Archives agrees that protecting and preserving records is of prime importance. We acted immediately on the Auditor's observations about environmental controls and monitoring. We installed temperature and humidity data-capture devices throughout both the provincially owned and private-sector facilities and are developing the protocols for monitoring and acting on the results. We have taken corrective action in the artworks storage area and increased the monitoring of that area.

We will be assessing options for storage of records prior to their acquisition by the Archives. The new York University facility will contain a vault specifically for the storage of artworks to ensure that their temperature and humidity requirements are met.

### PRIVACY CONTROLS OVER RECORDS

To ensure the confidentiality of the government records in storage, comprehensive security and privacy controls are necessary. We expected that ISR would have established key controls over its private storage-facility provider when it first awarded a contract in 1994. New guidelines, issued during the 2006/07 fiscal year by the Information and Privacy Commissioner of Ontario and the Chief Information and Privacy Officer, now recommend that when ministries contract with private firms, a thorough risk assessment should be conducted. Moreover, any specific privacy requirements should be stated in service contracts and the contractor's compliance with the contractual privacy obligations should be monitored.

However, no security or privacy risk assessment was conducted for the ISR facility that used a private company to store records. As a result, government records stored could be exposed to loss, theft, or unauthorized access.

Although bonding of employees and confidentiality requirements were included in the agreements signed with ISR's private contractor, there was no periodic monitoring of the contractor to ensure that it met and continued to meet these requirements. Inspections by Archives staff did not include a review of the contractor's staffing arrangements, such as whether there were records for all staff confirming security checks, bonding, and confidentiality declarations; and premises security controls were reviewed only informally and without checklists when the inspection staff were taking temperature and humidity readings.

As well as contractual requirements, other measures could have been taken to enhance confidentiality. We noted from our visits and tests that some of the records in storage contained confidential information: for example, we saw student loan applications with financial and social insurance numbers, employment-related data, applications for disability devices with the applicants' medical information, and court records. As mentioned previously, none of the containers were required to be sealed when in storage or in transit. In many cases, containers of records had labels on the outside describing the contents.

In addition, ISR permits its clients to request individual files instead of the whole container. This practice requires the contractor's staff to open a container and look through the contents to find the files requested. Similarly, in the 2003/04 and 2004/05 fiscal years, the Archives paid ISR's contractor to inspect the contents of approximately 87,000 containers of archival records. The contract required the service provider to open the containers, briefly document the contents, and give this information to the Archives, which would use it

for updating its container-tracking system. Over the last two years the Archives also paid its private company to inspect another 19,000 boxes and create a detailed list for more than 81,000 boxes.

ISR's private facility contractor was permitted to store government records throughout its facility together with records of its other clients, even on the same shelves. The more than 600,000 containers of Ontario government records at this facility represent approximately 30% of the total holding at this contractor's facilities. We believe that the risk of loss and security breaches could be minimized if government records were stored and controlled separately from the records of the contractor's other clients.

Neither the City of Toronto nor the federal government used contract suppliers to store its records. We were informed that ISR was asked by four of its clients not to store their records in a private facility because of the sensitive nature of the information, and ISR agreed not to. We understand that the Archives recently established a government-wide file-classification plan that will promote consistency across the government in the identification and organization of records and will classify information according to its sensitivity. This file plan could be used in the future to designate records that should remain in facilities with adequate security arrangements.

## RECOMMENDATION 8

In order to ensure that the confidentiality of records in storage is protected and that service providers are in compliance with the security and confidentiality requirements of their contracts, the Archives should:

- conduct a thorough privacy risk assessment of its storage facilities operated by private-sector contractors;
- restrict activities and impose security controls at storage facilities that will minimize the exposure of confidential records;

- revise its inspection program of storage facilities to include formal assessments of its security and privacy controls; and
- develop classification criteria for confidentiality and security levels and establish special storage arrangements for the most sensitive records.

## ARCHIVES' RESPONSE

We take very seriously the Auditor's observations that confidentiality of stored records must be improved and have taken immediate action to address this issue. A privacy risk assessment is under way that will examine both the government-run and private-sector storage facilities. New contracts are under development for private-sector storage, and those contracts will incorporate the recommendations, including periodic monitoring.

Modifications are being made to the guidelines provided to ministries on preparing records for shipment to storage and to the protocols used in accepting records. Recent introduction of the Government-wide File Classification Plan, which includes instructions on applying security classifications, will also increase security and confidentiality.

## CONTRACT MANAGEMENT

We noted several areas where ISR could improve its contract and procedure management practices to ensure that government-mandate policies, procedures, and document-retention requirements are followed:

- ISR's private storage service provider, which was paid approximately \$1 million for the 2006/07 fiscal year, has provided storage services since 1994. With more than 600,000 containers now in this storage facility, the

cost of moving the containers to a new facility would be very high. Consequently, ISR does not re-tender these services frequently. We were informed that, instead, the contract was usually renewed at five-year intervals on the basis of financial and performance assessments of the contractor. In addition, when additional storage space for approximately 325,000 containers was needed in 2000, a competitive tendering process was used. The contract was awarded to the same provider. However, the Ministry could not provide us with documents showing that a formal financial and performance assessment had taken place for the 1999 and 2006 renewals when the 1999 and 2000 contracts were amalgamated.

- Documents related to the request for proposals, including unsuccessful bids and bid evaluations, could not be found to support ISR's awarding of a contract, worth about \$150,000 a year from 2004 to 2007, for transporting containers between client ministries and the storage facilities.
- When ISR contracted for additional storage space in 2000, the rates it obtained from its contractor through a competitive process were lower than the renewal rate agreed to in 1999. The 1999 renewal contract with the same contractor specified that the rate charged ISR must be the lowest rate that the contractor charges its best customers. In 2004, a consultant hired to review ISR's storage arrangements pointed out that a lower rate might be possible because of that clause in the 1999 contract; however, we were informed that this issue was not pursued by the Ministry, though as much as \$700,000 might have been saved in lower fees for the period 2000 to 2006.
- ISR did not conduct any performance evaluations of the two contracted suppliers for

storage and transportation services even though, for instance, periodic inspections by the Archives found repeatedly that the private storage facilities did not have building systems that would allow them to meet suitable temperature and humidity levels.

- We noted several differences between the volumes reported by ISR's container-tracking system and its contractor's monthly billings for storage services. ISR was not reconciling these invoices with its system, and we found discrepancies as high as 17% of storage volumes, or up to \$7,000 a month.

In addition, we attempted to review the procurement documents for the long-term contract entered into by the Archives for environmentally controlled storage. Most of the documents were available, and they showed that the lowest bid was accepted. However, the selection committee's financial analysis, which was a key consideration in the final selection of a contractor, could not be found.

## RECOMMENDATION 9

In order to ensure that contracts with service providers are managed properly and that procurement processes are documented properly, ISR and the Archives should evaluate the way in which they manage procurement documents, and ISR should ensure that payments are made only for amounts and services that are in accordance with contractual requirements.

## ARCHIVES' RESPONSE

The Archives agrees with this recommendation. New contracts are being developed for private-sector storage of records. Internal protocols for the procurement process, with particular attention to the management of procurement documents, will be revised and enhanced. In addition, protocols for ensuring adherence to contractual requirements will be developed and will be part of the contract.

# Centre of Forensic Sciences

## Background

The Centre of Forensic Sciences (Centre) within the Ministry of Community Safety and Correctional Services (Ministry) provides independent forensic science laboratory services to law-enforcement officers, Crown attorneys, coroners, pathologists, defence counsel, fire investigators, and other official investigative agencies, all of which rely on the Centre as their sole or primary forensic science services provider. The most frequent users of the Centre's services are the Toronto Police Service, the Ontario Provincial Police, and the Office of the Chief Coroner.

The Centre's stated mission is to provide excellent scientific laboratory services in support of the administration of justice and public safety programs for the citizens of Ontario. It does this, specifically, by:

- providing scientific examinations and interpretations in cases involving injury or death in unusual circumstances and in crimes against persons or property;
- presenting independent objective expert testimony to the courts and other tribunals in Ontario;

- conducting research and development to extend the scope and quality of forensic science services; and
- preparing and presenting educational programs and materials on forensic sciences for the benefit of persons and agencies using forensic science services.

The services provided by the Centre are a critical and integral element of the criminal justice system in Ontario. Investigators and prosecutors rely on forensic science to help identify or eliminate suspects and to provide evidence that can withstand scrutiny in court. Delays or errors in forensic analyses can prolong police investigations, increase their costs, and affect public safety by allowing criminals to remain free to reoffend.

During the 2006/07 fiscal year, the Centre received over 10,400 cases from its justice sector clients requesting scientific analysis of evidence. These requests resulted in the issuing of almost 12,700 analytical reports. Services were provided in the six investigative sections noted in Figure 1.

The Centre's head office and central laboratory are located in Toronto, and a northern regional laboratory is located in Sault Ste. Marie. During the 2006/07 fiscal year, the Centre had operating expenses of approximately \$25.5 million, of which 73% related to staffing costs, and had equipment



**Figure 1: Types of Services Provided by the Centre of Forensic Sciences, 2006/07**

Source of data: Centre of Forensic Sciences

Investigative Section	Examples of Services Provided	% of Staff Providing Services*
biology	<ul style="list-style-type: none"> <li>• DNA profiling</li> <li>• body fluid identification</li> <li>• examination of trace evidence such as hairs and fibres</li> <li>• interpretation of blood-stain patterns</li> </ul>	32
toxicology	<ul style="list-style-type: none"> <li>• identification of drugs, poisons, and alcohol</li> </ul>	20
chemistry	<ul style="list-style-type: none"> <li>• analysis of fire debris, gunshot residue, and explosives</li> <li>• examination of trace evidence such as glass, paint, and soil</li> </ul>	14
firearms and toolmarks	<ul style="list-style-type: none"> <li>• identification and classification of firearms; serial number restorations</li> <li>• comparison of bullets and cartridge cases</li> <li>• firing-distance determinations and trajectory analysis</li> <li>• assessment of striations from tools</li> </ul>	8
documents and photoanalysis	<ul style="list-style-type: none"> <li>• handwriting analysis and examination of documents</li> <li>• specialized photography and microscopy</li> <li>• photographic enhancement</li> </ul>	4
electronics	<ul style="list-style-type: none"> <li>• analysis of electronic devices such as cell phones and computer storage drives</li> <li>• examination of stun guns</li> <li>• audio enhancements</li> </ul>	3

\* Percentages are of staff full-time equivalents (FTEs). Eighty-one percent of the total FTEs provide forensic services. The remaining 19% of FTEs, which are not included, work in the Centre Receiving Office, support services, Quality Assurance, and senior management.

expenses of approximately \$2 million. It employed some 260 staff, including 180 scientists and technologists. The Centre does not charge fees or recover costs from its clients for services provided.

## Audit Objective and Scope

Our audit objective was to assess whether the Centre of Forensic Sciences had adequate systems and procedures in place to:

- provide efficient, timely, and reliable services; and

- measure and report on the effectiveness of its services in supporting the administration of justice in Ontario.

We did not audit the validity of the scientific analysis performed by the Centre. The results of the Centre's work have been scrutinized in courts, where the Centre's staff are routinely required to testify on their findings. We did, however, inquire into the processes the Centre used to ensure the reliability of its analysis and findings.

Our audit fieldwork included a review of a sample of case files, reports, and policies. We also interviewed key staff at the Centre's head office and two laboratories and some of the Centre's main clients and stakeholders, including representatives

of police services in Ontario, Crown attorneys, and others. We also conducted research into forensic-services best practices in other jurisdictions.

We wish to acknowledge the co-operation and assistance we received from the staff of the Office of the Auditor General of Canada and the Forensic Laboratory Services (FLS) of the Royal Canadian Mounted Police (RCMP). The Auditor General of Canada recently completed an audit of the FLS, and we discussed with her staff their observations, research, and comparisons of FLS's performance measures with those of several forensic science laboratories in Europe and North America. At the FLS, senior management described to us the issues they face in providing high-quality and timely forensic services.

We did not rely on work performed by the Ministry's internal auditors to reduce the extent of our audit, as they had not conducted any recent work at the Centre in the areas covered by our audit.

## Summary

The Centre has established reasonable processes for ensuring the quality of its services and is pursuing international accreditation in this regard for 2008. Its clients are also satisfied with the calibre of the work it does. Although timeliness was an issue in the past, over the last several years it has improved the timeliness of its services—its DNA analysis in particular—despite a more than 70% increase in the demand for those services. However, improvements in systems and procedures are required in order for the Centre's turnaround times to be comparable to those of leading international forensic laboratories.

Some of our more significant observations, especially relating to the issue of turnaround time, are as follows:

- Quicker turnaround times for the Centre's case reports will increase public safety and allow police forces and other justice-sector clients to make better and more efficient use of their resources. Two leading forensic science laboratories in the United Kingdom and Sweden complete their case reports in about half the Centre's average turnaround time of 64 days.
- The Centre uses only one turnaround-time target to monitor the performance of its different investigative sections, although the kinds of cases each section works on are completely different, and therefore different target turnaround times would be more realistic. The Centre's 90-day target for completing 80% of its cases was set without the benefit of input from clients on their requirements and was much longer than targets set by forensic science laboratories in other jurisdictions, which generally set targets of 30 days or less.
- The Centre has established no documented systems or procedures for monitoring the number of urgent cases processed by each section and their turnaround times. Some other jurisdictions that monitor their urgent cases achieve completion targets of 20 days or much less for such test results.
- The Centre's information systems did not help management to determine why case reports had been delayed, and standards had not been set in each investigative section for reasonable completion times of tests, analyses, and reports. Such standards and information systems could be used to identify bottlenecks and to determine any necessary corrective action.
- The Centre's two laboratories in Toronto and Sault Ste. Marie were accredited by an American accrediting agency as having met its quality assurance standards for crime laboratories. The Centre is preparing to have both facilities

accredited in 2008 under an international standard.

In addition, the Centre lacked financial performance measures for monitoring the cost of providing its services and did not benchmark its performance against that of other forensic science laboratories, which would allow it to identify best practices that could be applicable in Ontario.

We sent this report to the Ministry of Community Safety and Correctional Services and invited it to provide responses. We reproduce its overall response below and its responses to individual recommendations following the applicable recommendation.

## OVERALL MINISTRY RESPONSE

The Ministry appreciates the thorough audit of the Centre of Forensic Sciences (Centre) conducted by the Auditor General and will endeavour to take action to address all the audit observations and recommendations. The Ministry remains committed to providing high-calibre forensic science services to the justice system in Ontario.

We are pleased that the audit report noted that the Centre has the processes necessary for the delivery of quality forensic science services and for pursuing a renewal of laboratory accreditation in 2008. The Centre was first accredited in 1993, and meeting detailed accreditation requirements has supported our efforts to provide the highest levels of quality to our clients.

The principal observations of the audit dealt with the need to provide faster service delivery that meets the needs of our clients and to enhance our ability in tracking the successes in achieving this goal.

Efforts to improve the turnaround time for reporting cases have been under way for many years. As the audit found, considerable progress

has been made in this regard since 2001, and improvement in turnaround time was achieved, along with the implementation of enhanced standards for the quality system, even though the Ministry was experiencing a substantial increase in workload during this period.

The Centre is essentially the sole provider of forensic science services in the province. It continues to experience an increasing demand for forensic science services arising from its importance in the justice system. The ability to meet this demand is a constant challenge.

## Detailed Audit Observations

### QUALITY MANAGEMENT SYSTEMS

The need to strive continually for high quality is a key requirement for a forensic science laboratory. Most police forces in Ontario depend exclusively on the Centre for forensic science laboratory analyses. If its work contains errors, police resources can be wasted, guilty individuals could go free, and innocent individuals could be wrongly convicted. Equally important is the Centre's ability to provide credible, impartial, and understandable testimony in court.

Our work and comparison against best practices indicated that systems and quality assurance procedures have been successfully implemented to monitor quality continuously and take corrective action when needed. For instance:

- Case files of the examination, analysis, and reporting of evidence undergo a technical peer review to ensure that errors are identified and corrected prior to the release of a report.
- The Centre's two laboratories in Toronto and Sault Ste. Marie were accredited by an

American accrediting agency as having met its quality assurance requirements for crime laboratories. The Centre is preparing to have both facilities accredited in December 2008 according to an international standard.

- A team of six staff conducted regular quality assurance audits of the Centre's operations, including making recommendations for improvement, as needed.
- Scientists and technologists were required to complete an annual proficiency test.
- Scientists providing court testimony were monitored at least annually to ensure that their testimony was accurate, objective, clear, and understandable. Crown attorneys and defence counsel were given an opportunity to provide feedback.

Our review of these controls indicated that they were operating as intended. Where the control process identified deficiencies or a complaint was received from the Centre's clients, we noted that appropriate measures were taken to address or resolve the issue and monitor the implementation of any corrective actions.

Other key factors as well led us to favourable conclusions about the Centre's quality assurance programs. The Ministry conducted a survey of the Centre's clients in October 2004; this is discussed in more detail later in this report, and overall the quality of service provided by the Centre was rated high. In addition, during our interviews with the Centre's clients and stakeholders, they consistently informed us that they were very pleased with the quality and calibre of services they received and staff they dealt with.

## PROVIDING SERVICE TO CLIENTS

The number of requests made by the Centre's clients is the primary determinant of the Centre's workload. As a service provider to the justice sector, the Centre has little influence on the number of

cases that are brought to it. However, the Centre has some control over the types of services it offers, and hence, the types of cases it will accept, the number of samples it is willing to accept for each case, and the time it takes to conduct its analyses (within the time limitations needed for the technological processes it employs) and to issue the resulting reports. Factors that influence the Centre in its ability to offer good service to its clients include its financial resources, its ability to attract, train, and retain high-calibre specialized staff, the outreach programs it conducts with its clients, and its policies and procedures for managing its workload.

The Centre has experienced significant increases in its workload over the last seven years, primarily owing to increases in police resources and efforts to reduce crime during the same period, and increased use of forensic sciences in investigations and prosecutions. The number of funded staff positions at the Centre increased from 187 in 2000/01 to 260 in 2006/07. Figure 2 shows the trend in the Centre's workload over the past seven years, that is, from the date that the Centre first implemented its computerized case-tracking system.

The demand for the different types of services provided by the Centre has also changed over the last seven years, mostly as a result of the greater use of DNA profiling in police investigations, as Figure 3 indicates.

The Centre told us that the increased demand for its services and the changing nature of the demand have presented challenges in the recruitment and training of scientists and technologists because months—and in some cases, years—of experience and training are often needed before new employees reach the required proficiency level.

## MONITORING REPORT TURNAROUND TIMES

The need by the police for fast turnaround times for forensic science analysis reports varies with each

request; as a rule, quick results help the police manage their investigative resources and solve crimes more quickly. Urgent forensic science analysis is needed to support large-scale investigations of unsolved serious crimes in which the criminal is still at large and likely to reoffend. When a suspect is apprehended after a crime, timely completion of forensic science analysis can help to confirm or eliminate suspicion of that person. Longer turnaround times may be justifiable in instances when there is no personal safety risk to the public, when a police investigation has largely been concluded, and when additional forensic science work is requested well before the start of a trial.

The Centre uses two measures to monitor its turnaround times: the average number of days from the time it receives a case to the time it issues its report; and the percentage of reports it completes within 90 days of receipt of a case. Figure 4 shows the Centre's calculations of its turnaround times for the last seven years.

Although the Centre has demonstrated progress in reducing its turnaround times in recent years, we believe that considerable improvement is still necessary to achieve a level of service that better meets police needs and to match the performance levels of forensic science laboratories in

other jurisdictions that report significantly faster turnaround times.

For the Auditor General of Canada's May 2007 report on the Forensic Laboratory Services (FLS) of the Royal Canadian Mounted Police (RCMP), staff of the Auditor General of Canada researched the turnaround times for DNA testing at several forensic science laboratories in North America and Europe and noted the following:

The United Kingdom's Forensic Science Service, a private organization, appears to have the shortest turnaround time, with an average of 7 days in the 2004–05 fiscal year for a DNA crime scene request. For other labs we visited, turnaround times range from a median of 28 days at Sweden's National Laboratory of Forensic Science (excluding break and enter samples, which are generally completed more quickly) to more than 100 days in some labs in the United States. In Canada, the Ontario Centre of Forensic Sciences reports an average turnaround time of 96 days (excluding break and enter samples).

The Centre's reports indicate that its turnaround times have improved since this information was

**Figure 2: Workload of the Centre of Forensic Sciences, 2000/01–2006/07**

Source of data: Centre of Forensic Sciences

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Increase 2006/07 over 2000/01 (%)
<b># of Case Requests</b>								
Toronto lab	6,356	5,985	7,400	8,179	7,695	8,253	9,512	50
Sault Ste. Marie lab	715	686	855	991	928	917	942	32
<b>Total</b>	<b>7,071</b>	<b>6,671</b>	<b>8,255</b>	<b>9,170</b>	<b>8,623</b>	<b>9,170</b>	<b>10,454</b>	<b>48</b>
<b># of Reports Issued</b>								
Toronto lab	6,888	7,347	7,771	9,336	10,659	10,674	11,495	57
Sault Ste. Marie lab	598	792	855	1,219	1,271	1,254	1,198	100
<b>Total</b>	<b>7,486</b>	<b>8,139</b>	<b>8,626</b>	<b>10,555</b>	<b>11,930</b>	<b>11,928</b>	<b>12,693</b>	<b>70</b>

**Figure 3: Demand for Services Provided by the Centre of Forensic Sciences, 2000/01 and 2006/07**

Source of data: Centre of Forensic Sciences

	# of Reports Issued		% Increase/ (Decrease)
	2000/01	2006/07	
toxicology	4,462	5,534	24
biology (incl. DNA)	1,447	4,692	224
firearms and toolmarks	462	1,163	152
chemistry	815	999	23
documents and photoanalysis	300	248	(17)
electronics	n/a	57	n/a
<b>Total</b>	<b>7,486</b>	<b>12,693</b>	<b>70</b>

made available to staff of the Auditor General of Canada: for the period January to March 2007, its average turnaround time for DNA analyses was 73 days (excluding break-and-enter samples).

The most recently available annual survey by the Ministry's Corporate Evaluation and Analysis Branch of the Centre's clients, conducted in 2004/05, noted, overall, that more than 90% of clients were satisfied or very satisfied with services received. However, about 50% of the comments received on the survey identified the amount of time it took the Centre to complete a written report of its analyses as an area for improvement. This criticism singled out toxicology and firearms in particular. Subsequent to the survey, the average turnaround time in toxicology investigations increased from 43 days in 2004/05 to 64 days in 2006/07. In contrast, in firearms analyses, senior management made significant changes, such as addressing staffing issues and rationalizing the types of cases the Centre receives. As a result, the average turnaround time was reduced from over 500 days in 2004/05 to 75 days in 2006/07.

**Figure 4: Centre of Forensic Sciences Turnaround Times, 2000/01–2006/07**

Source of data: Centre of Forensic Sciences

	Average # of Days to Issue Reports	Reports Completed within 90 Days (%)
2000/01	92	59
2001/02	107	59
2002/03	92	65
2003/04	86	71
2004/05	112	74
2005/06	85	74
2006/07	64	79

## RECOMMENDATION 1

In order to ensure that it better meets the needs of its clients for investigating and prosecuting crime, the Centre of Forensic Sciences should conduct a review of its practices and resources on an area-by-area basis, with a focus on achieving improvements in its turnaround times for completing case analyses, especially for the more urgent cases.

## MINISTRY RESPONSE

We were pleased that the report confirms that the use of forensic science evidence plays a vital role in helping investigating officers investigate crimes efficiently and effectively. We are acutely aware from our numerous interactions with users of our services that it is important to shorten the turnaround time as much as is practicable. The Centre is committed to continuous improvement in all areas of service delivery, including turnaround times. While much progress has already been made, we will conduct a review of our practices and resources.



## SETTING TARGETS FOR REPORT TURNAROUND TIMES

As noted earlier, the Centre uses two measures to monitor the turnaround time of its reports: average completion times and the percentage of reports completed within 90 days. The Centre does not set a target for average turnaround time, although at the time of our audit its target for reports completed within 90 days was 80%. It does not set target dates for completing individual cases or record a backlog of reports pending completion. Nor does it set turnaround targets according to the type of investigative services it provides (for example, biological, toxicological, chemical, and so on) or according to their priority.

Our research did not find any other jurisdiction with a target for turnaround times as long as the Centre's regular-priority turnaround target of 90 days. Centre staff informed us that its 90-day standard was generally more reflective of the Centre's capabilities than of the service levels required by its clients.

Our research and that of the Auditor General of Canada found that in other jurisdictions, targets for the completion of cases are usually stated as a certain number of days and are set on the basis of a desired service level. For example, the Auditor General of Canada reported her observations on the RCMP FLS as follows:

A number of sources indicate that the turnaround targets established by the FLS reflect operational requirements. For instance, in his 1996 inquiry into police investigation of the Bernardo case, Justice Archie Campbell recommended a 30-day turnaround time for DNA analysis. The RCMP performance standard formula created in 2000 set 15- and 30-day turnaround targets. In 2001, clients called on the FLS to establish a standard of 5 days or less for urgent requests,

and 30 days or less for routine ones. In a survey we conducted for our audit, clients said that 15- and 30-day targets were acceptable. There is no generally accepted international standard, but the turnaround targets are similar to those set by some other labs. In the US state of Georgia, for example, the goal is to handle priority requests within 20 days and regular requests within 30 days. In Sweden the target is 20 days for all requests.

We also noted that the forensic science laboratory in the United Kingdom—a for-profit laboratory operating 24 hours a day, seven days per week—had the best turnaround times. It had publicly stated targets of two, five, eight, and 10 days for completing DNA analysis, depending on the type of test performed; for other types of forensic science work, its target was a completion rate of 95% of cases within 33 days.

The report of the Auditor General of Canada did note that for the most part, the RCMP FLS was not yet meeting its turnaround-time targets. At the time of the audit by the Auditor General of Canada, we noted that the Centre's actual average turnaround times were roughly comparable to the turnaround times being achieved by the RCMP FLS.

In the mid-1990s, the Centre had a turnaround objective of 30 days for completing 90% of its cases—including DNA cases—which it never met. However, following the Bernardo Investigation Review report prepared by Mr. Justice Archie Campbell in June 1996, the Centre discontinued this turnaround-time objective, as it was unable to meet it, while at the same time making needed improvements to the quality of its services. In 2002/03, the Centre's target was as high as 90 days for completion of 60% of all reports. This low standard was indicative of the challenges the Centre faced in reducing its turnaround times at that time.

We noted that the Centre had not conducted research to identify turnaround targets that would

be acceptable to its clients. Police officers we interviewed were satisfied with the improved service they had been receiving from the Centre recently, particularly for major crimes, and recalled those years when test results had taken much longer. However, a number of police officers told us that their expectations were reduced as a result of having had to put up with slow turnaround times and they indicated that further reductions in turnaround times would allow them to investigate crimes more efficiently and effectively, including non-urgent cases where long delays remained.

In this regard, we noted that two key resources available to the Centre that have the potential to gather input from clients into their desired turnaround times were not being used for that purpose:

- The Centre conducts an annual survey among its clients, which are asked to rate and comment on existing service levels, although the survey omits questions regarding desired turnaround times.
- The Centre did not ask for recommendations on desired turnaround times from its advisory committee, which comprises 19 members representing client groups from various regions of the province that meet twice a year.

## RECOMMENDATION 2

To ensure that the Centre of Forensic Sciences' target turnaround times for completing case analyses are meeting the needs of its clients and the administration of justice, the Centre should establish processes, involving its clients, to:

- set turnaround-time targets for the various types of investigative services it provides, and segregate these between urgent and non-urgent cases;
- assess actual performance against targets; and

- compare its turnaround times and methods of achieving them with those of other jurisdictions.

## MINISTRY RESPONSE

We agree to more formally assess clients' needs regarding the turnaround times desired. We acknowledge that the Centre's Advisory Committee, since it is knowledgeable in the variety of scenarios that the Centre faces, is the appropriate group from which to solicit input. This committee will also assist in identifying the appropriate clients to be consulted. An expectation of a short turnaround time for all cases may require additional resources that would need to be appropriately evaluated.

## TRACKING CASES BY PRIORITY

The Centre's staff do not set estimated completion dates for cases received. Instead, staff in each investigative section will normally complete the examination of submitted items and issue reports summarizing the results in the order in which submissions are received. Upon receipt of the items, submitters are given a "Client Information Sheet" that shows the turnaround times for the last quarter for each section; this sheet provides the submitters with an estimate of recent turnaround times that they may expect for completion of their requests. In instances where investigational imperatives, court deadlines, or other operational contingencies require that the examination be given priority, this is done in consultation with the client. Submissions received are recorded in the Centre's Laboratory Information Management System (LIMS), which is used for tracking and managing cases and workloads. Each section's management monitors the age of the cases in LIMS and uses that as a criterion in prioritizing cases and workloads.

When a client presents an urgent request and Centre staff agree that the request is urgent, the work can be completed in significantly less time than average. DNA tests, for example, can be completed in as little as 48 hours. However, Centre staff inform us that acceptance of urgent cases is kept to a minimum because greater efficiencies are achieved when cases flow through normal work processes.

The Centre has not established systems to monitor its turnaround times according to the priority assigned. The priority of cases as assigned by each section is not recorded in LIMS, which could have been used to report on turnaround times by priority. We did note that the Centre does record in LIMS the type of crime associated with the case, such as homicide, sexual assault, and robbery, and reports are regularly produced on turnaround times by type of crime. However, this type of reporting does not adequately reflect the priority of cases, since the circumstances of different cases in the same category of crime may differ greatly and their urgency may be very different. For instance, the public risk would be higher for unsolved homicides and sexual assaults than those where a suspect has been apprehended.

As a result, no statistics were available on the number of urgent cases that were assigned, either overall or by each investigative section, or on the turnaround times for urgent requests.

### RECOMMENDATION 3

The Centre of Forensic Sciences should ensure that its information systems capture information on urgent cases that allows the monitoring and assessment of:

- each investigative section's success in responding to urgent cases;
- the impact of urgent cases on each investigative section's workload; and
- the turnaround times achieved.

### MINISTRY RESPONSE

The preferred practice for dealing with all casework is that each case be processed in order of receipt. In reality, there are situations that require that some cases be moved forward in the queue.

The Centre has mechanisms to deal with urgent situations that arise from factors such as investigative imperatives, concern for public safety, or the need to meet established court dates. We agree that it would be useful to capture information to allow us to identify and monitor response to those cases that are deemed urgent.

### MONITORING CAUSES OF DELAYS

Regular analysis of case-processing could potentially identify, for each of the Centre's investigative sections, where delays are occurring in its processes, how frequently they are occurring, the extent of the delays, and their causes. The collection and reporting of this information could assist management in setting priorities and taking corrective action to address bottlenecks and improve turnaround times for producing case analyses.

Discussions with staff have revealed delays caused, for example, by insufficient or inexperienced staff, equipment breakdown, procedural errors that require tests to be repeated, and high workload volumes. Staff shortages and high workload volumes could be indicative of inadequate funding, but reliable information regarding their impact on case-processing times would be needed to support any requests for additional resources. No reporting of such information is available, however.

In the absence of such reporting, we sampled a number of recent similar cases with varying turnaround times processed by the Centre's staff.

We tried to determine the causes of the long delays and to discover whether LIMS was useful for identifying bottlenecks in the processes used. Although information recorded in LIMS can document the key dates and activities associated with each case, the reasons for any delays were not evident from the information that must be recorded.

For example, one toxicology case assigned as a high-priority homicide took 84 days to complete, and a second homicide assigned as regular priority took 194 days, more than twice the targeted turnaround time of 90 days. A review of information in LIMS and the case file on the regular-priority case and discussions with toxicology staff did not provide a definite explanation for the delay in completing that case.

We sampled four cases submitted to the firearms and toolmarks section for testing of ammunition that had been fired from firearms. The shortest turnaround time was 14 days; the other three cases took 94, 99, and 232 days. A review of the case files showed no documentation related to the delays. However, in further discussions with us, firearms and toolmarks section staff recalled details about the causes of delays for two of these case reports. In one case the technologist was not working at an acceptable pace and the case was reassigned. The other case was incorrectly assigned within the section, and the error was not realized immediately.

In another example, we selected examinations of two stun guns carried out by electronics section staff, in which one examination took 39 days and the second 111 days. In the second case, the device had not been retrieved for analysis until 100 days after submission, after which it took 11 days to complete the case report. The cause for delay was not noted in the case file.

An assessment of the causes of delays was also made difficult because each section had not established time standards for each key activity in its processes, such as the time needed to conduct specific types of analyses and tests and to prepare reports.

## RECOMMENDATION 4

To ensure that the causes of delays in processing cases are monitored and assessed so that any systemic issues can be addressed, the Centre of Forensic Sciences should:

- ensure that its information systems record the reasons for any significant delays in each case it investigates;
- set standards for the processes used by each investigative section and monitor variances between expected and actual times;
- conduct regular evaluations where delays in completing cases appear high to identify the reasons and determine what steps can be taken to mitigate the likelihood of the same delays arising in the future.

## MINISTRY RESPONSE

Delays in case-reporting can result from a variety of operational factors, such as staffing, technical concerns, or workload volumes.

We agree that an appropriate mechanism to develop reliable data on the reasons for delays in reporting would provide valuable management information and will work towards its development.

## MEASURING PERFORMANCE

There is no legislated requirement for the Centre to report publicly on its performance in achieving program objectives or its efficiency in delivering its services. As part of the Ministry's internal results-based performance reporting system, however, the Centre is required to report on two key measures: percentage of submissions completed in 90 days or less and percentage of client-survey respondents indicating that they are satisfied or very satisfied with the Centre's services.

Since 2000/01, the Centre has reported gradual improvements in both of these measures. Targets for completing reports within 90 days have risen since a baseline of 55% was achieved in 2000/01. They now stand at 80%. The client satisfaction baseline was established in 2000/01 at 82%. The target remains at 82%, although client satisfaction achieved has exceeded 90% in each of the last two years.

While these are two key performance measures, we believe that cost-effectiveness of operations should also be measured and that the Centre's performance in key areas should be compared with that of forensic science laboratories in other jurisdictions. With respect to these two additional performance measures, we note the following:

- In the absence of any measures of the cost-effectiveness of operations established by the Centre, we compared the average staffing cost per report produced in each of the investigative sections at the Toronto Laboratory for the 2000/01 fiscal year to that for the 2006/07 fiscal year and identified the variances shown in Figure 5.

As Figure 5 shows, the annual increase in staff costs in most sections over the last seven years has been significantly higher than the inflation rate. These increases were offset,

however, by savings resulting from automation and other efficiencies achieved in DNA testing in the biology section. The Centre had conducted no formal analysis or monitoring of staff costs compared to the relative workload of each section. Regular monitoring of staffing costs could be used to help control and possibly reduce these costs, freeing up resources to improve client service. In addition, tracking the amount of time spent by staff in key non-report-generating activities, such as testifying in court, research, and outreach, would provide management with a better understanding of staff utilization and service demands, and provide support for resource allocation decisions.

- The Centre does not benchmark and compare its performance with the other two forensic science laboratories in Canada or those in other jurisdictions. Benchmarking could help the Centre determine whether its financial and operational performance is comparable to that of similar organizations, and help identify forensic science laboratories that employ best practices that may be applicable to Ontario.

As previously mentioned, the Centre provides submitters with an information sheet informing clients of its average turnaround times by offence

**Figure 5: Average Staffing Costs per Report Issued by the Centre's Toronto Laboratory, 2000/01 and 2006/07**

Source of data: Centre of Forensic Sciences

	Average Staffing Cost per Report Issued (\$)		7-year % Increase/ (Decrease)	Annual % Increase/ (Decrease)
	2000/01	2006/07		
biology	1,906	1,107	(42)	(6)
chemistry	1,943	2,675	38	6
firearms and toolmarks	792	1,103	39	6
documents and photoanalysis	1,861	3,406	83	12
toxicology	399	620	55	8
all reports*	946	1,135	20	3

\* Salaries and wages divided by total number of reports produced for the year.

type and by number of reports issued by each section during the last quarter. These reports are made available to update clients on current expected turnaround times. Our interviews of front-line police investigators determined that few were aware of the quarterly reports and none were receiving them regularly. Accordingly, obtaining information on how this process could be improved—perhaps by including this issue in their annual survey—should be considered.

### RECOMMENDATION 5

In order to better monitor and report on its financial and operational performance, the Centre of Forensic Sciences should:

- establish measures to monitor the cost-effectiveness of its operations;
- benchmark its performance against that of other forensic laboratories; and
- investigate whether its quarterly reports on average turnaround times are reaching those clients who would best benefit from them and consider distributing these reports directly to them.

### MINISTRY RESPONSE

As the Auditor notes, ministry funding for the provision of forensic science services has been significantly higher than the rate of inflation. This has been the case in order to meet increasing demands for our services and invest the additional resources in the quality management system required for acting on the recommendations of the *Report of the Kaufman Commission on Proceedings Involving Guy Paul Morin*. The Centre will explore mechanisms to monitor the cost-effectiveness of its operations.

The Centre routinely consults with other laboratories in order to remain informed of their activities and best practices. Benchmarking our services and turnaround times will require discussions with other laboratories to determine the comparisons that are possible for similar activities. We plan to explore these opportunities and, with the co-operation of other laboratories, develop mechanisms for meaningful inter-laboratory comparisons.

We will consult our clients to determine who is the appropriate representative to receive the quarterly report and will explore other mechanisms, such as electronic solutions, to bring this information to the appropriate personnel.



# Community Accommodation Program

## Background

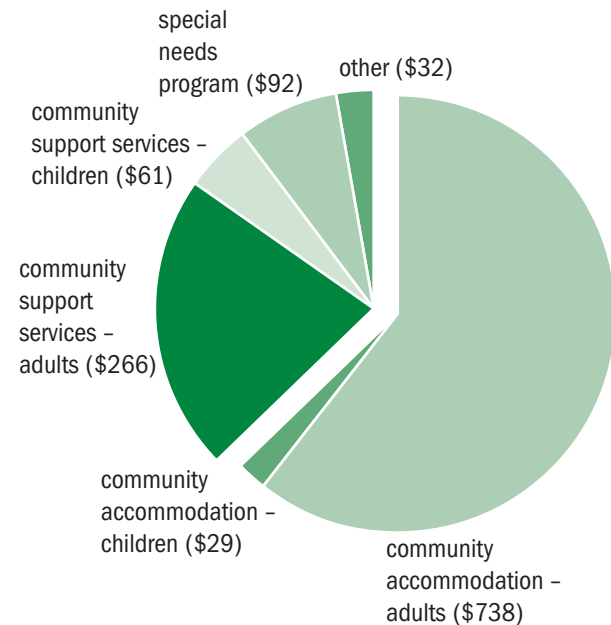
The Developmental Services program of the Ministry of Community and Social Services (Ministry) funds community-based transfer-payment agencies that provide a broad range of services and supports for both adults and children with a developmental disability. For 2006/07, expenditures on the significant components of this program were approximately \$1.2 billion, the largest part of which went to Community Accommodation services, as detailed in Figure 1.

Under the Community Accommodation program, residential accommodation and support services are available to both children and adults with a developmental disability as defined in the *Developmental Services Act*; program requirements for children are specified in the *Child and Family Services Act*. However, access to residential services is limited by the availability of spaces, which are primarily dependent on ministry funding.

Residential placements are based on the assessed needs of the individual, and they range from relatively independent living arrangements in apartment-like settings with regular agency support to intensive 24-hour-a-day, seven-day-a-week care in group homes that typically house three to

Figure 1: Major Components of the Developmental Services Program, 2006/07 (\$ million)

Source of data: Ministry of Community and Social Services



six individuals. As well, as of March 31, 2007, the Ministry still had approximately 520 individuals in provincially operated facilities, who it anticipates will be placed in community settings over the next few years.

The Ministry enters into an annual funding and service contract with each of the approximately 370 local not-for-profit developmental service agencies

that deliver community accommodation services. The Ministry generally funds 100% of the cost of these services through transfer payments to these agencies less any amounts paid by individuals in receipt of Ontario Disability Support Program benefits or other income or, in the case of children, less contributions made by their parents. The agencies themselves are governed by independent volunteer boards of directors that are responsible for overseeing the day-to-day services provided by each agency and are ultimately accountable to the Ministry for providing quality services that represent value for money spent.

The Ministry's expenditures on the Community Accommodation program have more than doubled since the time of our last audit in 1999, as detailed in Figure 2. As of March 31, 2007, expenditures on the Community Accommodation program amounted to approximately \$767 million, the largest portion of which related to expenditures on adult group home accommodations, as detailed in Figure 3.

## Audit Objective and Scope

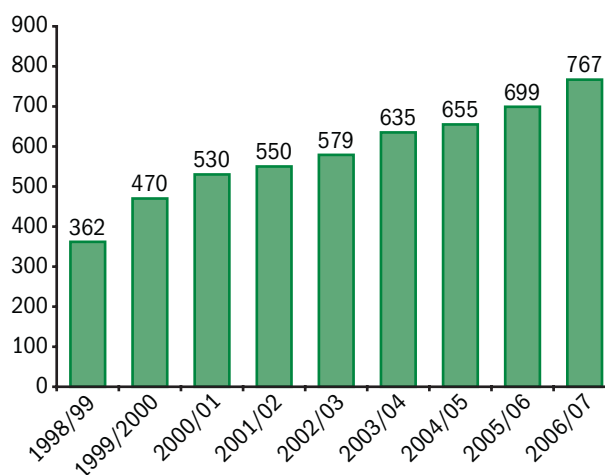
Our audit objective was to assess whether the Ministry's policies and procedures were adequate to ensure that:

- transfer payments to agencies were satisfactorily controlled and commensurate with the level and value of services provided; and
- Community Accommodation services were provided in compliance with legislative requirements and program policies and procedures.

The scope of our audit included a review and analysis of relevant files and administrative procedures, as well as interviews with staff at

**Figure 2: Community Accommodation Program Expenditures, 1998/99–2006/07 (\$ million)**

Source of data: Ministry of Community and Social Services



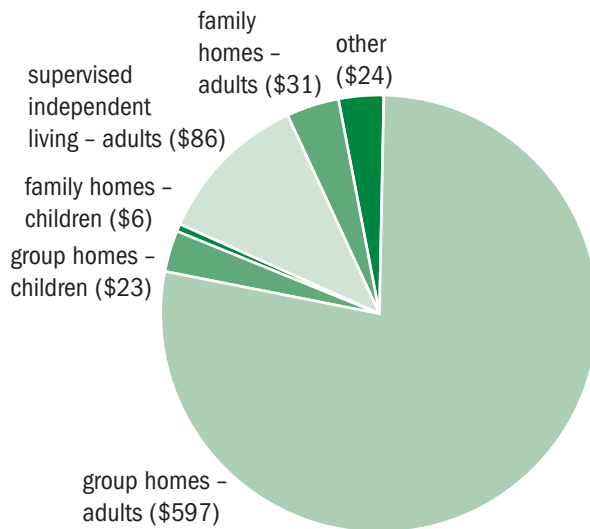
the Ministry's head office and at three regional offices that accounted for about one-third of total program expenditures. We also visited and obtained information from six transfer-payment agencies that are funded by the Ministry under this program, as well as four access centres that are responsible for screening applicants for services and referring eligible individuals to the appropriate service provider as vacancies arise. In addition, we held discussions with senior representatives from two provincial associations that represent a large number of developmental service agencies across the province.

Before commencing our audit, we identified the criteria that would be used to address our audit objectives. These were reviewed with senior ministry management, who agreed with them.

Our audit also included a review of a number of audit reports issued by the Ministry's internal audit services during the last three years. These audits identified a number of issues and made observations that, in some instances, corroborated our own findings.

**Figure 3: Community Accommodation Program Expenditures, 2006/07 (\$ million)**

Source of data: Ministry of Community and Social Services



## Summary

A number of the observations and findings in this report are similar to those outlined in our *1999 Annual Report*. Disparities in funding across the province and between clients, the practice of housing some clients in high-cost accommodations, inadequate access to specialized services, and a lack of complete and accurate data about the program challenge the program's fairness, accessibility, and sustainability, notwithstanding the significant increase in expenditures over the last eight years. The Ministry acknowledges that the Community Accommodation program still faces severe pressures and challenges, and it has undertaken extensive consultations over the past two years with individuals, families, service providers, and provincial organizations. As a result, the Ministry expects to make a number of changes to the current system of developmental services and support. Given the extent and complexity of the changes proposed, however, it will take some time before the benefits of the Ministry's transformation agenda are fully realized.

Although the Ministry has prepared a resource document entitled *Consider This!* to help the boards of directors of its transfer-payment agencies fulfill the requirements of its mandatory governance and accountability frameworks, it had not been the Ministry's intention to follow up to see that the requirements have been implemented. Doing so, as well as strengthening monitoring and oversight procedures at the regional level, will be necessary before the Ministry has adequate assurance that the funds given to its transfer-payment agencies are spent prudently and that they are commensurate with the level and value of services provided. Our observations with respect to the Ministry's funding of its transfer-payment agencies are as follows.

- For many years, agency funding has been primarily historically based rather than needs-based, a practice which exacerbates funding inequalities. Budget submissions still lack sufficiently detailed information for making informed funding decisions, as noted in our last audit, and there is still little evidence that budget submissions have been reviewed and assessed for reasonableness. Many agencies did not receive their final approved budget until long after the fiscal year had ended.
- The annual budgeting process left the Ministry without the ability to monitor or compare information, such as the average cost of spaces and services within a home. Costs at the agencies we visited ranged from \$30,000 to more than \$200,000 per person per year, according to our calculations. The Ministry was unaware of these cost differences and was unable to demonstrate that they were reasonable and justified.
- The requirements of the Ministry's quarterly reporting process and annual program-expenditure reconciliation process were not adhered to, with the result that these processes were ineffective and appeared to serve little useful purpose.

- Amounts paid to service providers for the placement of individuals under the Facilities Initiative varied from the expected average cost assumptions by as much as 200%. Although a certain amount of variance is expected, the Ministry was unable to demonstrate how the amount of funding provided was determined, and significant variances from the expected average costs were not explained.
- The Ministry lacked the necessary procedures and expertise to ensure that it is receiving value for money for the capital projects it funds. Some of the costs incurred were excessive. In one instance, it paid renovation costs of \$380,000 on a bungalow that had been purchased for \$390,000, without assessing the need for and reasonableness of the renovations and receiving a proper accounting of the costs.
- The Ministry did not require that, and did not know whether, agency staff had the required competencies in such areas as purchasing, payroll, and accounting, or whether agency staff followed good operating practices such as adequate segregation of duties and other good internal controls.

With respect to ensuring that services were provided in compliance with legislative requirements and program policies and procedures, we found the following:

- There was often little documentation to support a determination of developmental disability or to demonstrate that the placement of an individual was appropriate and cost-effective.
- We noted a number of instances in which existing beds remained vacant for six to 12 months. Under the Ministry's current funding mechanism, which pays equally for vacant and occupied beds, the agencies have little financial incentive to fill vacant beds. At the same time that beds in some agencies

remained vacant for extended periods, those agencies' access centres had lengthy waiting lists for accommodations.

- The Ministry could not demonstrate that the required number of compliance reviews for adult group homes were conducted. The compliance reviews completed were ineffective, in our view, and could not be relied on for assessing program delivery or monitoring the protection of vulnerable people in care.
- Procedures for reporting serious occurrences and dealing with complaints did not ensure that they were dealt with fairly and were satisfactorily resolved.

We sent this report to the Ministry and invited it to provide a response. We reproduce its overall response below. As for its responses to individual recommendations, the Ministry provided either a separate response per recommendation or a combined response to two or more recommendations. Those responses follow the relevant recommendations in Detailed Audit Observations.

### OVERALL MINISTRY RESPONSE

The Ministry welcomes the Auditor General's observations and recommendations. Since the Spring 2004 Budget, in which the government announced its intention to transform the delivery of supports for people who have a developmental disability in Ontario, the Ministry has undertaken significant consultations and has developed an action plan to create an accessible, fair, and sustainable system of community-based supports. Many of the planned improvements associated with the transformation—such as the establishment of clear eligibility criteria, the introduction of standardized access processes and assessment tools, and the introduction of quality assurance measures—are strongly aligned with the Auditor General's recommendations.

The full realization of these improvements will take place over the next three to five years as the transformation is implemented.

## Detailed Audit Observations

The Ministry of Community and Social Services (Ministry) acknowledges that the Community Accommodation program still faces severe pressures and challenges, which it intends its transformation agenda, referred to earlier, to address. For example, it points out that many individuals with developmental disabilities are living longer than ever before, and often live at home with aging parents or other caregivers, putting pressure on waiting lists for service. The Ministry also notes that the existence of multiple entry points to services and of inconsistent assessment standards for clients adds to the problems.

Under the Ministry's transformation agenda, extensive consultations have taken place over the past two years with individuals, families, service providers, and provincial organizations. The consultation strategy was intended to stimulate broad public discussion, propose wide-ranging changes, and provide guidance on how to implement them. Changes the Ministry anticipates making to the current system of developmental services and supports, or which are already being piloted, include:

- better eligibility determinations and assessments of individuals' needs;
- a common province-wide application process;
- streamlined access to available supports;
- direct funding for services to individuals or their families; and
- help to families in planning independently for support and in setting priorities based on individual goals.

## AGENCY GOVERNANCE AND ACCOUNTABILITY

The Ministry deliberately does not involve itself in the day-to-day operations of agencies that receive transfer payments. Instead, its approach to agency governance and accountability tries to balance the need for transfer-payment agencies to be reasonably autonomous in carrying out their day-to-day responsibilities with the requirement that the agencies be accountable to the Ministry for the prudent use of public funds.

For this approach to be effective, the Ministry needs to be assured that the governance and accountability structures in place provide assurance that funds are spent prudently for the intended purpose, and that services provided are in compliance with program requirements.

Partly as a result of findings and recommendations made by our office in this area in previous years, both the Management Board Secretariat and the Ministry of Community and Social Services have established mandatory governance and accountability frameworks for transfer-payment recipients. The specific requirements of these frameworks fall under four broad areas:

- establishing meaningful and measurable results to be achieved with public funds;
- entering into written agreements that, for example, bind recipients to achieve the expected results and, as a condition of funding, require them to have in place the governance and administrative structures and processes necessary to ensure prudent and effective management of public funds;
- having ministry program managers obtain and review information about transfer-payment recipients' performance on a timely basis; and
- taking timely corrective action when necessary.

In 2004, the Ministry prepared for the boards of directors of its transfer-payment agencies a resource

document, entitled *Consider This!* that expands on these requirements and reinforces their importance. The purpose of this document was to assist the boards of directors in fulfilling the requirements of the governance and accountability frameworks. However, the Ministry did not follow up to ensure that the requirements were fulfilled.

On the basis of our findings in this report, as well as discussions with staff of transfer-payment agencies and the Ministry, we believe that oversight procedures are still not adequate to ensure that funds are spent prudently for the intended purpose and that services provided are in compliance with program requirements. We also made these specific findings:

- The Ministry did not require that, and did not know whether, the boards of directors of its transfer-payment agencies had the required competencies or expertise to discharge their responsibilities effectively. Our own review of board competencies often found a lack of legal and financial expertise.
- The Ministry did not require that, and did not know whether, agency boards had ensured that their staff had the required competencies in such areas as purchasing, payroll, and accounting, or whether staff followed good operating practices such as adequate segregation of duties and other good internal controls.

The Ministry's internal audit services performed an audit in this area in 2006, which corroborated many of our own findings. Its report concluded that the Ministry must improve its oversight processes in order to demonstrate good governance and accountability to stakeholders and help ensure that money is spent prudently.

### RECOMMENDATION 1

To help ensure that transfer payments to agencies represent value for money spent and that

services provided are effective and in accordance with program requirements, the Ministry of Community and Social Services and its transfer-payment agencies should adhere to the mandatory governance and accountability frameworks.

### MINISTRY RESPONSE

The Ministry is committed to supporting the boards of directors of agencies that deliver developmental services. In 2006, the Ministry contracted with a provincial association representing many agencies delivering developmental services to develop an on-line training tool for boards of directors. The tool has been available since May 2006 and provides an overview of board governance, including board members' roles and responsibilities. The tool is a best practice in board governance and accountability that assists boards of directors in meeting their existing obligations as outlined in their service agreements with the Ministry.

## TRANSFER PAYMENT CONTROLS

### Budget Submissions and Annual Service Contracts

The Ministry enters into an annual funding and service contract with each of its transfer-payment agencies for the provision of community accommodation and related services and supports. The process and timing of the various steps leading up to the approved annual service contract are as follows:

- The Ministry's regional office provides each agency with a budget submission package shortly before the start of the fiscal year.
- Agencies are expected to return the completed budget submission package to the Ministry's



regional office by March 31, the last day of the previous fiscal year.

- The Ministry is to review the budget submission and provide the agency with an approved preliminary service contract, which would normally be expected to include annual funding increases, by June 30, three months into the fiscal year.
- An approved final service contract, including the approved annualized expenditure budget and in-year enhancements for one-time initiatives, is to be provided to the agency by March 31, the last day of the fiscal year.

We found that the process leading up to the agencies' approved annual service contracts was not timely and was not effective in meeting the intended objectives of ensuring that the amount of funding ultimately approved for each agency is reasonable and based on assessed needs. In particular:

- Although agencies have some discretion in budgeting for the type of costs they expect to incur, the Ministry's instructions are that the total amount of the budget submission cannot be higher than the previous year's annualized funded amount.
- Many budget submissions were received long after their due dates, in some cases as late as four to six months into the fiscal year.
- Budget submissions lacked sufficiently detailed information, such as meaningful data on services to be provided, for making informed funding decisions. In most cases, there was no documentation to substantiate that the submissions received had been reviewed or otherwise analyzed, even though, in response to our 1999 audit of the Community Accommodation program, the Ministry developed a transfer-payment checklist that itemizes the key elements of the budget submission, review, and approval process. Although it intended to implement the checklist during the 2001/02 fiscal year, we found

many cases where there was no evidence that it was being used.

- For the last several years, approved preliminary service contracts have not been based on an assessment of the budget requests made by agencies, but rather on across-the-board percentage increases from the previous year's annualized budget. These increases ranged from 0.5% to 2% per year. We also noted that approved preliminary service contracts were often provided to agencies long after their June 30 due date, in some cases up to six months late.
- Many agencies did not receive their approved final service contract, including their approved annual budget, until long after the fiscal year had ended.

We also noted that, in recent years, agencies have not received annual funding increases consistent with the increased cost of their ongoing base programs through the annual budget submission, review, and approval process. Instead, most annual funding increases to agencies resulted from new in-year ministry initiatives that were completely separate from the annual budgeting process. For example, for the past two fiscal years, the Ministry has granted approximately \$70 million per year in new in-year funding to agencies for initiatives such as moving existing residents of ministry-operated facilities into the community or creating new spaces to alleviate pressures on the service system.

In most cases, community planning tables, which are made up primarily of representatives from local social service agencies, select individual agencies to provide these new spaces. Agencies then prepare a budget request for the new space that they have been selected to provide. This process is problematic, in our view, as it does not ensure that services are acquired competitively and that value for money is received. Examples of placements where ministry funding varied significantly and appeared to differ greatly from the expected

average costs appear in our section on the Facilities Initiative.

Because agencies submit only incremental budget requests for new spaces and one consolidated annual budget request for all the existing spaces they operate and services they provide, the Ministry cannot and does not track the average cost of individual spaces and services provided within a particular home. Our calculation of the cost of spaces at individual homes for a sample of agencies visited found that the cost of these spaces varied significantly, from a low of \$30,000 to a high of more than \$200,000 per year. The Ministry was not aware of this range, and although such a difference in costs may be justifiable, the Ministry could not demonstrate that this was the case.

We also note that, in response to a recommendation in our 1997 audit report on the accountability and governance of transfer-payment agencies, the Ministry indicated that it planned to establish provincial funding benchmarks for all residential care programs based on the level of support required by individuals in their care. This has not yet been done.

### Quarterly Reports

To help hold agencies accountable for expenditures and service delivery during the year, the Ministry requires them to submit quarterly reports comparing budgeted to actual expenditures and year-end expenditure forecasts, and comparing budgeted to actual service data, such as the number of individuals served. Agencies are required to provide explanations for significant variances from budgeted financial and service data and to indicate what actions they will take to address such variances. The first three quarterly reports are due 30 days after the end of the quarter, and the fourth is due 45 days after year-end.

Although the quarterly reporting process could be useful, we found that it was not effectively implemented, to the point where it now serves little use-

ful purpose. Our findings are based on the following facts:

- Agency staff expressed the opinion that quarterly reports submitted to the Ministry are seldom reviewed. As a result, the agencies say, they make little effort to ensure that reported expenditure and service data are complete and accurate.
- Even when significant variances were reported, the reasons for them in most cases were not given or requested by the Ministry, and the required action plans to address the variances were not provided.
- In most cases, there was no evidence that the Ministry reviewed the quarterly reports and followed up with agencies to ensure that necessary corrective action was taken.
- Most quarterly reports were received long after their due date.

From the agencies' perspective, all this paperwork is not a productive use of resources, since it has little impact on ministry funding or agency oversight.

### Annual Program Expenditure Reconciliation

The primary purpose of the Annual Program Expenditure Reconciliation (APER) process is to reconcile a program's expenditures with its approved budget in order to identify any inappropriate or ineligible expenditures and any surpluses to be recovered by the Ministry. The APER form is to be submitted together with an agency's audited financial statement no later than four months after the end of the fiscal year. When operating surpluses or deficits arising from the ministry-funded program are not apparent from the financial statements themselves, the audited financial statement is to include a note disclosure identifying these.

Although the Ministry improved the APER process for the 2005/06 fiscal year by requiring

additional detailed expenditure information, largely in response to our recommendations in prior years, the APER process is still not effective in meeting its intended purpose for the following reasons:

- A number of agencies have established related corporations that provide such things as residential or office accommodations or management services. We found that, in some cases, ministry-funded agencies transferred amounts to such related corporations and recorded the transfer as an expenditure in both the APER form and the financial statement, without any evidence that the amounts transferred were reasonable or the underlying services had been received.
- In most cases, APER forms and accompanying financial statements lacked sufficient detail or the note disclosure necessary to identify inappropriate or ineligible expenditures and to permit the reconciliation of the audited financial statement with the APER-reported expenditures. Thus the Ministry did not have independent assurance as to the accuracy of the program surplus or deficit reported by the APER process.
- In many cases there was little or no documented evidence that ministry staff had reviewed and assessed the information detailed in the APER forms. For example, some regional office staff advised us that they only compared an agency's total approved budget to the total expenditure reported in its APER statement. This comparison would provide little if any useful information.
- Most APER forms were received long after their due date. Some were received almost a year late.

### Staff Qualification and Training

To implement more effective financial accountability processes for transfer payments made to service

delivery agencies, the Ministry requires a sufficient number of staff with an appropriate level of training and expertise in financial analysis. Although program expenditures have more than doubled since the time of our last audit in 1999 and funding arrangements with agencies have become much more complex, we were advised that the number of regional office staff, including program supervisors, has remained essentially the same and in some cases has decreased. We found that many program supervisors did not have the necessary financial training and expertise to discharge effectively their responsibility to review and approve financial submissions from their service providers.

As a result, some program supervisors indicated that they were not comfortable with the financial analysis requirements of their job. Although program supervisors do have access to the finance staff of their regional offices, in practice that expertise was often not used effectively.

Similar issues were reported by the Ministry's internal audit services in its March 2006 audit of transfer-payment accountability and governance.

### RECOMMENDATION 2

To ensure that funding provided to service-delivery agencies is based on assessed needs and is commensurate with the value of the services provided, and to implement more effective financial accountability in transfer payments to agencies, the Ministry of Community and Social Services should:

- reassess the objectives of its annual agency budget submission, review, and approval process, and design a meaningful process that it can adhere to;
- either implement its current quarterly reporting process effectively or design and implement a revised process that it can adhere to and that will enable regional staff to monitor in-year agency expenditures and

service levels effectively, possibly screening agencies on a few critical indicators;

- assess whether its current APER process as implemented meets its objectives and, if it does not, design a more practical means of overseeing agency expenditures; and
- assess the level of financial expertise required in regional offices, and determine the number of staff with this expertise that it requires and the best way of acquiring this expertise.

## MINISTRY RESPONSE

In August 2007, the Ministry announced the re-organization of the corporate offices of its Program Management Division. The re-organization is intended to address the need for enhanced accountability and transparency for the programs and services that are funded, delivered, and/or managed by the Ministry.

The re-organization will enhance ministry capacity to implement the revised Transfer Payment Accountability Directive (released in the summer of 2007 by the Ministry of Government Services).

As part of the work required to implement the new directive, the Ministry is reviewing the timelines, information exchanges, and other relevant processes related to the Transfer Payment Business Cycle to ensure that its requirements are both appropriate and achievable. This review will result in a multi-year plan for business process improvement. A first priority for this project is the review and revision of the business process and tools used for the annual program-expenditure reconciliation.

The Ministry will develop a comprehensive training strategy to ensure that ministry and agency staff have the knowledge and skills needed to use the new processes and tools.

## Facilities Initiative

The Ministry has had a long-standing goal of reducing the number of people living in large institutions. We understand that since 1977 the Ministry has closed 13 such facilities and moved approximately 6,000 people out of them into the community. As part of its current transformation agenda, the government has made a commitment to close the last three provincially operated facilities by March 31, 2009. As a result of that commitment, the Ministry has moved approximately 480 individuals from the provincially operated facilities into the community during the past two years; approximately 520 individuals remain in the facilities at an annual cost of over \$100 million in the 2006/07 fiscal year, which includes costs for downsizing the facilities' operations.

The Ministry assesses the level of support required by each person being moved out of a facility and assumes an expected average cost for each level of support, which includes both direct and indirect agency service costs, as indicated in Figure 4. In addition to the annualized operating funding, agencies may receive one-time assistance for start-up costs and capital funding for the transition, when necessary.

In practice, individuals (or their families) have considerable input as to where they will be moved, and they often ask to be placed in a community that is close to their family home. As noted previously, the local community planning table normally

**Figure 4: Funding Cost Assumptions for Support of Persons Moving Out of Provincial Facilities**

Source of data: Ministry of Community and Social Services

Level of Support Required	Ministry Assumed Average Annual Cost (\$)
moderate	60,000
high	80,000
complex	120,000

selects one agency to make a proposal to the Ministry for the care of the individual, including costs. While the amount the Ministry agrees to pay for any one individual may vary from the expected average cost assumption used by the Ministry, a region's total expenditures under this initiative are expected to approximate the total of all expected average cost amounts for all individuals placed in the region by the time the initiative winds up in March 2009.

Our review of a sample of placements of individuals under this initiative in the three regions we visited found that the actual costs agreed to often varied significantly from the Ministry's average cost assumptions, as illustrated in Figure 5.

Our review of a sample of approved requests for funding under this initiative, including those noted in Figure 5, resulted in the following observations:

- Most requests for funding did not contain a sufficiently detailed budget or other information indicating how the requested amount of funding was determined.
- In most cases, in spite of the fact that the amounts requested were significantly different from the expected cost amounts, there was no documentation to indicate that ministry staff had reviewed and assessed the reasonableness of the amount requested, and no indication of how it had determined the amount of funding ultimately approved.

**Figure 5: Facilities Initiative Funding for a Sample of Individuals**

Source of data: Ministry of Community and Social Services

	Initial Assessed Level of Support	Ministry Assumed Avg. Annual Cost (\$)	Actual Annual Cost (\$)
individual 1	moderate	60,000	180,000
individual 2	moderate	60,000	122,800
individual 3	high	80,000	150,000
individual 4	complex	120,000	75,000
individual 5	complex	120,000	300,000

- In some cases, the amount approved was significantly different from the amount requested, with no explanation of the difference.

As a result, we were unable to determine if or how the Ministry decided that the funding agreed to was reasonable and represented value for money spent.

### RECOMMENDATION 3

In order to ensure that funding given to agencies for relocating persons from provincially operated facilities into community placements is reasonable and appropriate, the Ministry of Community and Social Services should:

- assess the merits of instituting a more competitive process instead of having community planning tables (committees consisting of representatives of local service agencies) nominate only one agency to submit a proposal for placing an individual in the community; and
- obtain sufficiently detailed budgetary or other information for assessing and documenting the reasonableness of the amount of funding requested where that amount differs significantly from the expected cost amount.

### MINISTRY RESPONSE

The Ministry agrees that it is responsible for the fair and efficient allocation of resources. Community planning tables identify opportunities to leverage current services in the communities, establish partnerships across service providers, and build stability within the service sector. The Ministry will review and revise current planning approaches to ensure that service and funding decisions demonstrate value for money.



## Oversight of Capital Projects

Under the Ministry's transformation agenda, agencies can apply for capital funding for such things as renovating existing facilities or purchasing new facilities to create new spaces. The Ministry expects to spend approximately \$125 million for all capital projects by the end of March 2009; of that amount \$56 million had been spent by the end of March 2007.

Our review of the Ministry's processes and procedures for approving funding for capital projects raised a number of significant concerns, leading us to question whether the Ministry is receiving value for money spent. Our concerns are best illustrated by the facts relating to one of the capital projects we reviewed. In July 2005, the Ministry provided initial approval to an agency to purchase a 2,200-square-foot, four-bedroom bungalow at a cost of \$390,000 and to incur renovation costs up to \$157,000 plus \$36,000 in professional fees. In that regard, we noted that:

- neither the agency nor the Ministry prepared a business case to demonstrate that alternatives had been considered and that the project represented the most cost-effective investment of public funds, as required under the Ministry's capital project guidelines; and
- regional staff did not review the condition of the home to ensure that only necessary renovation work was planned; neither the agency nor the Ministry could provide the necessary detailed information to demonstrate that the approved renovation costs of \$157,000 were reasonable.

The agency hired an architectural firm to oversee the renovation. The firm was not selected competitively and had little incentive to minimize cost, since its remuneration was based on a percentage of the total renovation cost.

The Ministry ultimately paid renovation costs of \$380,000, or almost two and one-half times the initial approved estimate. The Ministry did not have

the information necessary to assess the reasonableness of the increased renovation costs. On further inquiry, the agency could only provide us with a list of the types of expenditures to be incurred and the related total amount of estimated costs for each type of expenditure. Our review of the list noted a number of items whose nature was not clear or that appeared questionable or excessive in our view.

These included, for example:

- "allowances" of \$18,000;
- "profit" of \$20,000;
- "electrical" of \$45,000;
- "painting" of \$18,000;
- "labour" of \$32,680; and
- "front ramp, deck and landscaping" of \$32,000.

We understand that, after the renovation was complete, the Ministry also provided the agency with approximately \$60,000 to furnish this home without receiving an accounting of how this money was spent.

During our discussions with ministry staff responsible for overseeing this renovation, we were told that staff members had little or no training or experience in overseeing capital projects, including renovations of this type. We also noted that, at the completion of our fieldwork in March 2007, the Ministry's interest in the property had not been registered on title as required and there was no process in place to ensure that this would be done. Furthermore, the Ministry had granted the same agency that had undertaken this renovation its approval to spend almost \$500,000 to renovate another recently acquired bungalow.

We also noted that most agencies did not maintain a listing of physical assets such as furnishings and equipment acquired with ministry funds, as required by the regulations. At one agency where a list was maintained, we found that some assets on the list were missing, and one item that should have been on the list was not.



We were also advised that in July 2005 the Ministry issued Guidelines for Developing Infrastructure Projects. These provide specific directions on processes for the development and implementation of capital projects, including the preparation of business cases, execution of legal agreements, and policies related to the use of a competitive tendering process.

#### RECOMMENDATION 4

In order to be able to demonstrate that capital funding provided to agencies is both necessary and reasonable and creates as many spaces as possible, the Ministry of Community and Social Services should:

- ensure that all existing requirements in its Guidelines for Developing Infrastructure are complied with, including the requirement to prepare a business case that demonstrates that alternatives were considered and that the most cost-effective alternative was selected;
- obtain the necessary expertise (by engaging an external expert if necessary) and sufficiently detailed information for all proposed projects to be able to assess the need for, and reasonableness of, the costs to be incurred; and
- obtain a final accounting of the costs incurred.

#### MINISTRY RESPONSE

The Ministry agrees that capital projects must be managed prudently to ensure value for money. In April 2005, the Ministry established the Capital and Accommodation Services Branch to support regional offices in the delivery of capital projects. In July 2005, the Ministry issued Guidelines for Developing Infrastructure Projects, which provides specific direction on processes for developing and implementing

capital projects, including the preparation of business cases, execution of legal agreements, and policies related to the use of a competitive tendering process. In the fall of 2007, the guidelines will be updated and additional tools will be developed and provided to regional staff and transfer-payment agencies to assist in the better management of capital projects. In addition, a database has been developed for tracking the condition of the capital asset portfolio for better planning and management.

The Ministry's Capital and Accommodation Services Branch is hiring four additional specialists to assist regional offices and ensure that they have adequate oversight mechanisms for the execution and registration of capital agreements.

The Ministry is taking steps to ensure that all completed capital projects are fully documented and that there is a full accounting for all capital costs.

#### Agency Purchasing Policies and Procedures

Although not specifically required in their annual funding and service contracts with the Ministry, transfer-payment agencies are expected to follow good business practices, similar to those prescribed for the Ministry itself. However, our review of business practices at the agencies we visited, and a limited sample of expenditures, identified a number of concerns, including the following:

- Some agencies did not have written policies and procedures for such things as purchasing goods and services and reviewing and approving suppliers' invoices for payment. Other agencies that had such procedures did not comply with them. For example, we noted a number of instances where:

- goods and services that should have been acquired competitively were not;
- the same person who initiated the purchase of goods and services certified their receipt and approved the invoice for payment;
- amounts were paid without a purchase order having been issued or an invoice having been received; and
- some senior managers approved their own expense claims.
- A few expenditures were questionable, in our view, including a payment of \$5,350 for a speaker at an agency staff-appreciation night, and registration fees totalling \$8,900 for three people to attend a facilitator workshop in North Carolina.

## RECOMMENDATION 5

To help ensure that agency expenditures are reasonable and represent value for money spent, the Ministry of Community and Social Services should confirm that agency boards of directors ensure adherence to good business practices, including written policies and procedures for such things as purchasing goods and services and processing invoices for payment.

## MINISTRY RESPONSE

The Ministry is committed to supporting boards of directors to implement sound policies and procedures. To this end, the Ministry will issue required procurement guidelines as part of its 2008/09 budget package.

## OVERSIGHT OF PROGRAM SERVICE DELIVERY

### Access to Services

In order to provide one-window access to a broad range of developmental social services and improve

the co-ordination of its services, the Ministry has established a number of access centres across the province. An access centre can be either a separate agency that is directly funded by the Ministry or a centre jointly operated by local developmental services agencies.

Access centres are responsible for:

- receiving requests for services and assessing the eligibility of clients for available developmental services;
- triaging requests for service to ensure that those individuals most in need receive priority consideration, and referring clients to available services that best meet their needs;
- maintaining waiting lists of clients who have not yet been referred to service providers, and performing a quasi-case-management function until these clients are successfully placed; and
- liaising with local social service agencies and planning tables, and co-ordinating service planning in their area.

Our review of available documentation and discussions with staff at access centres and agencies noted a number of concerns with respect to the process by which individuals access community accommodation services:

- The Ministry has provided no specific directions or guidelines to access centres with respect to making determinations of developmental disability. Consequently, access centres have considerable discretion in making such determinations and deciding who is eligible for services under the Community Accommodation program. As a result, we found little consistency in the way in which determinations of developmental disability were made; in many cases, there was little or no documentation on file to support the eligibility determination.
- In most cases, there was no documentation on file to demonstrate that the referral and

placement of an individual was appropriate and cost-effective in the circumstances. We understand that, in many cases, referrals to and placements in a particular home are made at the request of the individual or family members, and that either the client or the agency can refuse a proposed placement.

- We noted a number of instances in which existing beds remained vacant for extended periods of time, often ranging between six and 12 months. In that regard, we also noted that under the Ministry's current funding mechanism for transfer-payment agencies, which pays equally for vacant and occupied beds, the agencies have little incentive to fill vacant beds, and in fact can use these vacancies to alleviate some of their cost pressures.
- At the same time that beds in some agencies remained vacant for extended periods, those agencies' access centres had lengthy waiting lists for accommodations. Information about waiting lists and vacant beds was not communicated to the Ministry to be considered in future service planning and annual funding decisions.

## RECOMMENDATION 6

To help ensure that all individuals with a developmental disability are treated consistently across the province and that program placements are appropriate and economical, the Ministry should:

- consider providing access centres with guidelines to encourage consistent placement decisions across the province;
- ensure that access centres maintain the necessary documentation to demonstrate that developmental disability determinations are made consistently and that residential placements are appropriate and economical;
- ensure that all vacancies are filled as quickly as possible; and

- obtain information about waiting lists and vacant beds for use in its service planning process and take this information into consideration when making annual funding decisions.

## MINISTRY RESPONSE

Through the transformation of developmental services, the Ministry will establish a common assessment process that will, among other things, document each individual's support needs in order to match them with appropriate residential placements.

The Ministry agrees that clients should be matched on a timely basis to vacancies that meet their needs. The Ministry will require that agencies, as a condition of their service contracts, report all vacancies to the Ministry and the local access centre on a quarterly basis. Access centres will be required to report on all vacancies filled and explain vacancies that have not been filled within each quarter.

## Program Compliance Reviews and Licensing Inspections

Under provisions of the *Child and Family Services Act*, the Ministry is required to conduct an annual licensing inspection and issue an annual operating licence for each group home that houses more than three children. Although there are no similar statutory requirements to inspect and license group homes for adults, in December 2003 the Ministry introduced a policy requiring that annual program compliance reviews be conducted at 20% of all ministry-funded adult group homes in a region. We note that this was a substantial increase in the percentage of adult group homes to be reviewed annually; before 2003, it had been the Ministry's policy to review 5%. The objective of these reviews is to

assess a home's compliance with various health and safety requirements as well as to assess program delivery, and to make recommendations for corrective action, where warranted.

Although the inspection and licensing process for children's homes was essentially working as intended, we found that the compliance review process for adult homes, which comprise approximately 95% of all homes funded by the Ministry under this program, was largely ineffective for the following reasons:

- Two of the three regions we visited did not maintain a list of group homes in their region or information regarding which group homes had already been reviewed. As a result, there was no assurance that the requirement to review 20% of all group homes had been complied with. There was also no assurance that all group homes, and high-risk group homes in particular, are reviewed over a reasonable period of time.
- Regional offices frequently asked agencies to pick the homes to be reviewed and gave significant advance notice of the compliance reviews. As a result, the homes at which compliance reviews were conducted may not be representative of all homes operated by an agency, and the conditions at the homes at the time of the compliance review may not be representative of the conditions throughout the year.
- In the absence of a provincial compliance review checklist or other documentation requirements, the breadth and depth of the compliance reviews varied significantly. For example, we noted many instances in which there was no documentation that compliance with health and safety requirements had been assessed.
- Where compliance reviews identified deficiencies, there was often no evidence of follow-up to ensure that the necessary corrective action had been taken.

## RECOMMENDATION 7

To help ensure that the Ministry's compliance review process meets its objective of protecting vulnerable people in care, the Ministry of Community and Social Services should:

- maintain an accurate and up-to-date listing of all adult group homes and ensure that the requirement to review 20% of them annually is met, and that higher-risk group homes are reviewed with reasonable frequency;
- reassess the advisability of having agencies select the homes to be reviewed and of giving significant advance notice of reviews;
- consider developing a comprehensive checklist that would help ensure that all the required elements of the compliance review are undertaken and adequately documented; and
- ensure that where deficiencies are identified, they are followed up on to confirm that the necessary corrective action is taken in a timely manner.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 7, 8, and 9. We reproduce it following Recommendation 9.

### Serious Occurrence Reporting

The Ministry provides agencies with definitions of serious occurrences to be reported. These include, among other things, the use of physical restraint and any serious complaints made by or about clients. Agencies are required to submit an initial notification report within 24 hours of a serious occurrence. Agencies must then submit an inquiry report, which provides a more complete description of the serious occurrence, its current status, and any further actions to be taken, within seven business days

of the initial notification. The Ministry's regional offices are required to log all reported serious occurrences for tracking purposes and for comparison with the annual serious occurrence summaries that the agencies are to prepare and submit for analysis within one month of year-end.

We note that the number of serious occurrences reported to the Ministry for the last four years has increased substantially, as illustrated in Figure 6. We were advised that this increase is a result of the broadened definition of "serious occurrence" introduced in 2003 and the agencies' preference for reporting everything that could even be remotely considered to be a serious occurrence.

Our review of the reporting process for serious occurrences found that its requirements were often not adhered to, as illustrated in the following observations:

- Many initial notification reports and subsequent inquiry reports were not submitted promptly. In addition, one regional office exempted its agencies from having to report the most common type of serious occurrence—the use of physical restraint—although a monthly summary report still had to be submitted.
- One regional office often reviewed and logged serious occurrences only many months after the reports were received. Another office logged the serious occurrences that had been reported only after the file had been closed

and the issue had been resolved, a practice that hindered the effectiveness of the logging and tracking process and prevented it from fulfilling its intended purpose.

- In many cases there was no evidence that the initial notification and inquiry reports received were reviewed and approved and, where necessary, followed up on to ensure that corrective action was taken.
- One region exempted its agencies from submitting an annual serious occurrence summary report. Annual summary reports submitted in the other regions were often inaccurate and incomplete and were received long after they were due.

As a result, we found that the serious occurrence reporting process was not effective in ensuring that all serious occurrences were appropriately dealt with on a timely basis. We were advised that many of the deficiencies we noted are attributable to the significant increase in the number of serious occurrences reported.

## RECOMMENDATION 8

To safeguard more effectively the health and safety of individuals living in community accommodations, the Ministry of Community and Social Services should reassess the objectives of the serious occurrence reporting process and, in the light of that reassessment, it should:

- provide agencies with a clear and unambiguous definition of the serious occurrences that need to be reported; and
- design a process that meets its objectives and that its regional offices can oversee effectively.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 7, 8, and 9. We reproduce it following Recommendation 9.

**Figure 6: Serious Occurrences Reported to the Ministry of Community and Social Services, 2002–2006**

Source of data: Ministry of Community and Social Services

Calendar Year	# of Serious Occurrences Reported
2002	1,784
2003	5,483
2004	6,572
2005	4,407
2006	6,672



## Complaint Procedures

Although there are no requirements for agencies that provide services under the *Developmental Services Act* (DSA) to have specific procedures for dealing with complaints, agencies that provide services under the *Child and Family Services Act* (CFSA) are required to establish written procedures for hearing and dealing with complaints from anyone who has sought or received services. These procedures must include an opportunity for the complainant to be heard by an appropriate level of the service provider's management up to and including the board of directors. In the event the complainant is dissatisfied with the service provider's response, the complainant can have the matter reviewed by the Ministry.

Our review of the complaints process at a number of agencies that provided services under both the DSA and the CFSA found that many of them did not have a process in place to document, log, and track complaints received. As a result, the agencies were unable to provide us with any information with respect to the number of complaints received, the nature of the complaints, or how complaints were dealt with and resolved.

While one of the three regional offices we visited had a good process in place to log and track complaints received to ensure that they were dealt with fairly and resolved satisfactorily, we found that the other two offices had no procedures in place to log and track complaints.

### RECOMMENDATION 9

In order to help ensure that all complaints received by agencies get a fair hearing and are satisfactorily resolved on a timely basis, the Ministry of Community and Social Services should:

- require all agencies to have a complaints process in place that is similar to the process

described in the *Child and Family Services Act* and ensure that they comply with it; and

- ensure that all complaints that are escalated to a ministry regional office are logged, tracked, and resolved fairly and on a timely basis.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 7, 8, and 9 as follows.

The Ministry will strengthen its oversight mechanisms for regulatory and policy compliance. Specifically, the Ministry will develop and implement a standard province-wide compliance checklist, compile a complete list of community accommodation group homes that are to be considered for a compliance review, and establish clear direction for determining an appropriate sample.

The current serious occurrence reporting process will be reviewed and revised as appropriate to ensure that the intended business needs are satisfied. In addition, a clearly defined process for logging, monitoring, and resolving service complaints that are brought to the Ministry's attention will be developed and implemented.

As part of transformation, the Ministry is developing a quality-management framework that will promote quality assurance and continuous improvement in all aspects of the ministry-funded service system for adults with a developmental disability. As part of the framework, the Ministry plans to set standards regarding the quality of services delivered and work toward promoting inclusion of adults with a developmental disability.



## INFORMATION SYSTEMS

The Ministry has a Service Management Information System (SMIS) that the regional offices use to monitor payments made to and services provided by the service providers. The system has been in place since 1997.

Each quarter, regional staff manually enter data from the agencies' quarterly reports into the SMIS. Regional office directors must certify in writing to the Ministry's corporate office that the information entered into the system is complete and accurate. However, notwithstanding this certification, we had several concerns about the usefulness of this system in supporting management decision-making, as follows:

- Although data are entered into SMIS manually, the system lacks edit controls to identify input errors. During our review, we noted many instances of incomplete and inaccurate data entry, as well as data that had not been entered on a timely basis.
- SMIS generates exception and variance reports that are to be analyzed and followed up on for corrective action. However, the Ministry had no process in place to ensure that exceptions are properly followed up on and resolved. In addition, as we noted earlier, little reliance can be placed on the data in the quarterly reports provided by the agencies to be input into SMIS, and that makes the SMIS exception and variance reports also unreliable.
- The system did not provide management information in sufficient detail or the types

of reports that would be useful for analyzing program expenditures, such as cost comparisons of residential spaces.

The Ministry's internal audit services undertook an audit of the SMIS system and published its report in June 2006. Many of its findings were similar to our own.

### RECOMMENDATION 10

The Ministry of Community and Social Services should ensure that its Service Management Information System (SMIS) provides complete, accurate, and useful information on which to base management decisions and to help determine whether services provided by transfer-payment agencies are effective and represent value for money spent.

### MINISTRY RESPONSE

The Ministry's management and oversight of supports provided to people with developmental disabilities is dependent on the Ministry's capacity to collect, analyze, and use information. The Ministry developed and is implementing a multi-year plan aimed at improving the quality, relevance, and accuracy of the information collected from transfer-payment agencies. An important component of this plan is improving the use of information to support policy development, program design, program management, and community planning. The Ministry is committed to ensuring that staff are trained and able to use and analyze information to improve decision-making.

## Chapter 3

### Section 3.04

Ministry of Transportation

# Driver Education and Examination

## Background

Under the *Highway Traffic Act*, the Ministry of Transportation (Ministry) is responsible for protecting the public by ensuring that the privilege of driving is granted only to persons who demonstrate that they are likely to drive safely. Full driving privileges are to be granted to novice drivers only after they acquire experience and develop safe driving skills in controlled and supervised conditions.

Under the graduated licensing system introduced in April 1994, novice drivers are required to remain in a supervised stage (G1) of driving for a minimum of 12 months before attempting a road test to progress to the unsupervised, G2, stage. Upon passing the road test, they are required to have another 12 months of driving experience before attempting to obtain a full class G licence.

Although the province does not regulate driving schools, the majority of novice drivers learn to drive through attending a driving school. Currently, the Ministry administers a voluntary Beginner Driver Education (BDE) program under which driving schools that meet specified requirements can become ministry-approved course providers. They may issue driver-education certificates to students who have completed the course successfully; the

certificate entitles students to have their 12-month G1 stage reduced by up to four months and possibly to save on their insurance premiums.

At the time of our audit, new regulations for driving schools and driving-school instructors under the *Transportation Statute Law Amendment Act, 2005* had been drafted for public comment. These new regulations, if implemented, will set standards for all driving schools in the graduated licensing program, require such schools to obtain a driving-school licence, and impose more rigorous standards for driving instructors.

The Ministry is responsible for the examination and licensing of drivers in Ontario. In February 2003, the Ministry entered into a 10-year agreement with a private-sector company (the service provider) for the administration of the driver-examination services. In return for an upfront payment of \$114 million, the service provider is entitled to the driver-examination fees over the term of the agreement. The Ministry remains responsible for establishing policy and standards for driver examinations, setting fees, and monitoring the provision of services so as to ensure that examination standards are met and services are applied consistently across Ontario.

In 2006/07, there were 55 Driver Examination Centres and 37 temporary sites in remote areas that

the service provider's employees travel to on designated days to administer driving examinations. During 2006, the service provider administered approximately 617,000 written tests and 677,000 road tests and collected examination fees of \$62 million.

For the 2006/07 fiscal year, total ministry expenditures relating to driver education and examination were approximately \$6 million.

## Audit Objective and Scope

The objective of our audit of the driver-education and -examination functions of the Ministry was to assess whether adequate systems and procedures were in place to:

- measure and report on the Ministry's effectiveness in ensuring that driver's licences are granted only to persons who have demonstrated that they are likely to drive safely; and
- provide effective, timely, and accessible services.

The scope of our audit included a review and analysis of relevant files and administrative procedures, interviews with appropriate staff of the Ministry and the service provider, and a survey of driver examiners who are on the staff of the service provider. In addition, to gain a better understanding of the issues and to obtain suggestions as to how public safety can be improved, we met with various external stakeholders including driving schools, driver associations, and the insurance industry.

Before beginning our work, we developed audit criteria that we used to attain our audit objectives. These were agreed to by the senior management of the Ministry.

We also reviewed the activities of the Ministry's Internal Audit Services Branch. Although the Branch had not conducted any recent audit in this area, it had provided advice on the development of performance measures and the audit approach for

the Ministry's ongoing monitoring of the service provider. The Branch's input was helpful in planning our audit.

## Summary

The collision involvement rates for the about 55% of novice drivers who enrolled in the Beginner Driver Education (BDE) program were significantly higher than those for drivers who did not participate in the program. While this statistic could be the result of a combination of many factors and is not necessarily an indication of the effectiveness of the BDE course and instruction, the Ministry had not followed up on the reasons for the higher collision involvement rate, nor had it evaluated the effectiveness of the BDE program. We noted several areas where current practices may have contributed to the higher collision involvement rates for drivers who had enrolled in the BDE program. Specifically:

- A number of studies have shown that drivers who have taken advantage of the reduction in their supervised driving period and take the driving test up to four months earlier had a higher collision involvement rate than those who have not.
- Virtually all the external stakeholders we interviewed expressed concerns about the sale of driver-education certificates by unscrupulous driving schools to students who have not completed the required driver education. The Ministry had not ensured that the potential for fraud in this regard had been adequately dealt with.
- The Ministry's inspection of BDE driving schools had not focused on ensuring that the training was in accordance with the ministry-approved curriculum. Where inspections were done, many cases of significant non-compliance were disregarded repeatedly by

driving schools, with few or no sanctions by the Ministry.

Many driving instructors had a high rate of violating the *Highway Traffic Act*. As of December 2006, approximately 360, or 6.5% of the 5,500 instructors, had accumulated demerit points, compared to approximately 1.4% for the general driver population. The points were given for common violations such as speeding, failure to use seat belts, and disobeying traffic signs.

Under the Driver Certification Program, the Ministry designates organizations such as municipalities, transit authorities, trucking companies, and school bus companies as Recognized Authorities to operate a ministry-approved training and testing program for their employees. Upon successful completion of the program, the employees are entitled to have their driver's licences upgraded or renewed to a commercial class by the Ministry. About 20% of commercial licences are obtained this way. But ministry inspections and investigations of complaints found cases where Recognized Authorities and their trainers were:

- upgrading drivers who had not received any training or demonstrated the necessary driving skills;
- upgrading non-employees; and
- upgrading licences in return for payment.

In a number of cases, the Ministry had suspended the Recognized Authorities and downgraded the licences of the drivers involved to their previous class. However, the problems were persisting, as evidenced by the findings from recent inspections.

With respect to driver examinations, we noted that there has been significant improvement in the wait times for taking a road test, wait times being a significant issue noted in our last audit in 2001. As of October 2006, the average provincial wait time for all classes of licence was three to four weeks, compared to as much as 29 weeks at the time of our last audit.

The Ministry's driver-examination outsourcing agreement demonstrated good accountability and had good oversight mechanisms, in that it included a number of performance standards, such as properly completing road test score sheets and meeting wait-time standards. However, we noted differences in the pass rates of examiners that were large enough to indicate that candidates were not being passed or failed on a consistent basis throughout the province. In addition, there were many cases in which examiners did not ensure that candidates had completed all necessary manoeuvres. Inadequate ongoing training and supervision of examiners could be the reason for this lack of consistency.

If road tests are not being conducted consistently across the province, applicants who have previously failed or who are aware of easier processes elsewhere might be encouraged to travel to another centre that seems to have less stringent testing requirements. We found that over half of 10,000 G2 road tests conducted in 2006 at two non-Toronto examination centres were for applicants from the Toronto area, and over 60 of those Toronto applicants went to both of these centres, which are over 300 kilometres apart, to attempt the road test. Excluding those from the Toronto area, applicants from these two examination centre areas have pass rates of approximately 80% for the road test to obtain their class G licence, compared to the provincial average of 68% in 2006.

In monitoring the service provider, the Ministry has also found a high number of instances of other defects, including inadequate verification of the identification documents of examination applicants and mistakes in the recording of drivers' information. Such examples could be indicative of persistent problems. However, the Ministry had not adequately followed up on the defects, had not analyzed the defects for systemic problems, and had not notified the service provider of the high number of defects it had found.

We sent this report to the Ministry and invited it to provide responses. We reproduce its overall response below and its responses to individual recommendations following the applicable recommendation.

### OVERALL MINISTRY RESPONSE

Ontario’s roads are among the safest in North America. The Ministry agrees with the Auditor that training and testing new drivers for a lifetime of safe driving is critical. The Ministry values the audit observations and recommendations made by the Auditor and is taking swift action to address them. The Ministry appreciates the Auditor’s recognition of the Ministry’s success in reducing road test wait times and in reducing collisions with the introduction of graduated licensing, as well as the good accountability and oversight mechanisms found in the driver-examination outsourcing agreement.

## Detailed Audit Observations

### DRIVER EDUCATION

#### Beginner Driver Education (BDE) Program

The Ministry administers a voluntary Beginner Driver Education (BDE) program that enables driving schools to become ministry-approved course providers.

The minimum requirements for the ministry-approved course are 10 hours of in-car instruction and 25 hours of classroom instruction. Upon successful completion of the course, students receive a driver-education certificate that allows them to shorten the time they spend in the supervised G1 stage by up to four months and may give them a reduction on their insurance premiums.

The Ministry charges \$4.50 for each driver-education certificate requested by ministry-approved course providers. Driving schools operated by school boards can obtain the certificates free of charge. Every year the Ministry distributes about 160,000 blank certificates to the approximately 720 ministry-approved course providers—of which 12,000 are distributed to school boards—and receives approximately \$650,000 in revenue.

According to ministry records, of the approximately 218,000 new drivers each year, about 120,000, or 55%, have taken the BDE course. Of the 120,000 course takers, 67,000, or approximately 56%, have taken advantage of the time reduction and took the G2 driver examination before the end of the regular 12-month waiting period.

The Ministry had not evaluated the effectiveness of the BDE program for drivers who had taken the ministry-approved course. We therefore compiled the 2000–05 collision statistics for drivers who had obtained their licence after the introduction of graduated licences, comparing the rates for those with and without a BDE certificate. The results are shown in Figure 1. We concentrated on the collision rates of G2, as opposed to G1, drivers because, according to

**Figure 1: Collision Involvement Rates for G2 Drivers with and without Beginner Driver Education Certificates, 2000–2005**

Source of data: Ministry of Transportation

Year	BDE Certificate (%)	No BDE Certificate (%)	% by Which BDE-trained Drivers Are More Involved in Collisions
2000	10.18	8.18	24
2001	9.58	7.23	33
2002	8.69	6.31	38
2003	8.07	5.56	45
2004	7.79	4.92	58
2005	6.83	4.21	62

Note: Statistics pertain to drivers who received their licences after the introduction of graduated licences.



the Ministry, only until drivers are in the unsupervised stage of G2 do the potential benefits of BDE training have a chance to become apparent.

Although collision rates had declined for all drivers since the introduction of graduated licensing, we noted that class G2 drivers with BDE certificates were involved in significantly more collisions than drivers who had not taken the course. In addition, over the six-year period, the percentage by which BDE-trained drivers were more involved in collisions increased steadily and significantly.

We acknowledge that these statistics do not necessarily indicate that the BDE course is ineffective, since other factors, such as a driver's attitude, actions, and driving experience, may play a role in the effectiveness of the program; however, the trend we noted is quite pervasive and warrants follow-up by the Ministry to ensure that new drivers are being given the most effective training possible. In this regard, our audit identified several areas where current practices may have contributed to the higher collision involvement rates for drivers who were enrolled in the BDE program, as discussed under the following sections: Driver-education Curriculum, Drivers with Reduced G1 Stage, Inspection of Driving Schools, and Driver-education Certificates.

## RECOMMENDATION 1

To ensure that novice drivers enrolled in the Beginning Driver Education (BDE) program receive effective training in safe driving, the Ministry of Transportation should evaluate the effectiveness of the BDE program, including investigating the reasons for the higher collision involvement rates for drivers who have completed the BDE program.

## MINISTRY RESPONSE

Two ministry evaluations of Ontario's graduated licensing program have confirmed its success in

reducing collisions for new drivers. However, the Ministry acknowledges that there is a higher collision risk among drivers who have taken a Beginner Driver Education (BDE) course and received a time discount in level one of the program. The Ministry is reviewing its existing detailed analyses of all the factors leading to this conclusion to better understand and address the relationship between BDE, time discounts, and collision rates.

Many factors contribute to a higher collision rate among novice drivers, including age, inexperience, attitude, and high-risk behaviour associated with youth. The Ministry believes that beginner driver education is an important tool to help prepare new drivers to drive safely. That's why, in August 2007, the Ministry announced significant improvements to the BDE program that will result in higher standards for both driver education and driving instructors. As well, the Ministry will continue to focus its policy and legislative and public-education initiatives on young new drivers who, studies show, have a higher collision rate than the general driving population, whether they take BDE or not.

## Driver-education Curriculum

The Ministry's curriculum for the BDE course has not been updated since 1985. In recent years, however, such changes to the driving environment as crowded roads and increased use of cell phones and other electronic devices have created more distractions for drivers. In fact, in January 2007, Canada's home, car, and business insurers launched a \$4 million multimedia public-education campaign to remind drivers to keep their eyes on the road and avoid distractions.

In July 2006, the Ministry issued a Request for Proposal for the development of curriculum standards for beginner driver education with a target completion date of October 2007.



### Drivers with Reduced G1 Stage

Since drivers with BDE certificates are eligible to have their G1 stage shortened by up to four months, we compared the collision involvement rates of G2 drivers who had taken advantage of the time reduction and those who had not. What we found was that in the last five years, G2 drivers who had used the time reduction to take their driver examinations earlier had about 25% more collisions. (See Figure 2.)

Other studies have also shown that drivers who have taken advantage of the time reduction have higher collision rates than those who remain longer in the supervised stage. The Traffic Injury Research Foundation, in its report *Best Practices for Graduated Driver Licensing in Canada*, recommends that the time reduction for driver education be eliminated and that new drivers have at least 12 months of supervised driving. Effective April 1, 2007, British Columbia removed the three-month time reduction for the supervised driving stage. However, new drivers will be eligible for a six-month reduction in the second stage if they complete an approved course successfully and have no violations and no at-fault crashes in the first 18 months after being licensed.

**Figure 2: Collision Involvement Rates for G2 Drivers with and without G1 Time Reduction, 2000–2005**

Source of data: Ministry of Transportation

Year	Time Reduction (%)	No Time Reduction (%)	% by Which Drivers with Time Reduction Are More Involved in Collisions
2000	10.81	8.48	27
2001	10.24	8.26	24
2002	9.38	7.50	25
2003	8.85	6.96	27
2004	8.38	6.96	20
2005	7.40	6.07	22

Note: Statistics pertain to drivers who received their licences after the introduction of graduated licences.

## RECOMMENDATION 2

To help ensure that new drivers receive adequate behind-the-wheel supervised training, the Ministry of Transportation should:

- update its standards and curriculum to recognize changes in the driving environment over the last decade; and
- reconsider the desirability of reducing the supervised (G1) driving stage for drivers who successfully complete the Beginner Driver Education program.

## MINISTRY RESPONSE

In 2006, the Ministry identified the need to improve the Beginner Driver Education (BDE) curriculum and hired the Canadian Standards Association to develop new, state-of-the-art standards for the BDE curriculum. The new curriculum will be rolled out to schools in 2008.

The Ministry will review the appropriateness of the time discount as part of its review of the graduated licensing system, which includes the new requirements used in British Columbia.

### Inspection of Driving Schools

The majority of driving schools are small operations with fewer than four instructors and 500 students a year. Driving schools that wish to become ministry-approved course providers under the BDE program are subject to an opening inspection, which includes a classroom visit and examination of all pertinent documents, such as the proposed course outlines for classroom and in-vehicle instruction, certificates of insurance coverage, safety certificates for the vehicles, a municipal business licence, and driving-instructor certificates. Once approved, schools are subject to an annual compliance inspection.

Before November 2004, the BDE program was administered jointly by the Ontario Safety League (as the course inspector), the Driving School Association of Ontario (as the course administrator), the Insurance Council of Canada (as the representative of the insurance industry), and the Ministry (as the overseeing authority). On that date, the Ministry assumed full responsibility for the administration and inspection of driving schools in the BDE program.

Despite the requirement that driving schools be inspected annually, at the time of our audit, about 40% of the schools had not been inspected since the Ministry assumed responsibility for the BDE program in late 2004. In addition, we noted that the current inspection process for the ministry-approved course consists primarily of observing the suitability and safety of classroom sites and vehicles, verifying that instructors are licensed, and ensuring that there is adequate insurance coverage to protect the students. The inspections did not include assessing whether students did in fact receive the training in accordance with ministry-approved curriculum and whether driver-education certificates were issued only to students who had completed the course.

Moreover, inspections are primarily conducted during business hours, whereas classes tend to be held on evenings and weekends. Therefore, the Ministry would have been unable to verify that classes had been held as claimed by the school or whether the sign-in sheets were valid.

Once an inspection is completed, the course provider is given a copy of the inspection report and 10 days to respond to any Notice of Violation. If a satisfactory response is not received within the allotted time, the course provider is to be suspended or its ministry-approved status revoked. If a satisfactory response is received, the Ministry may permit the course provider to continue operating, with a follow-up inspection scheduled within 60 days or 12 months, depending on the seriousness of the violation.

We found that the Ministry had not ensured that course providers were correcting the deficiencies noted in its inspections. In addition, repeated infractions were treated the same way as first-time infractions. We noted instances where driving schools have shown repeated disregard for the BDE requirements, with little or no action by the Ministry. For example:

- In January 2004, the Ontario Safety League recommended that one school be subjected to disciplinary action, because it had shown little or no regard for BDE requirements and the findings of the Ontario Safety League's previous inspections. In addition, in December 2004, the Ministry received a complaint from one of the school's former employees alleging that the school had sold fraudulent driver-education certificates. An inspection by the Ministry in July 2005 again found a number of infractions, including inaccurate and incomplete student record files. Although the Ministry did forward the information to the police for possible investigation, it had not conducted a follow-up inspection since that time.
- Similarly, from October 2000 to March 2006, another school was found repeatedly to be in non-compliance with the BDE requirements. It was also the subject of many complaints to the effect that it was selling driver-education certificates and that the environment was not conducive to learning. In October 2006 the school changed location and received an opening inspection as a new school. Although the inspection did not reveal any infractions, we noted that because the inspection was treated as an opening inspection, many of the areas of concern in the past, such as the adequacy of student records, were not examined.

In spite of the infractions found by the inspections, we noted in the course of our examination that, despite some driving schools having a number

of repeat violations, no school had been removed from the list of ministry-approved course providers, nor were other sanctions applied. Following discussions regarding our concerns, the Ministry informed us that it had begun working on this problem in December 2006 and has subsequently removed 13 schools from the list of approved course providers.

In addition, there has been no attempt by the Ministry to help protect new drivers from enrolling in driving schools with substandard business practices. We found three ministry-approved course providers on the Consumer Beware List of the Ministry of Government Services website, yet the schools were still operating as ministry-approved course providers. Not only will such schools damage the reputation of the BDE program but their presence on the Consumer Beware List may also call into question the quality of instruction that driving students are receiving.

The Ministry acknowledged that more needs to be done and in early 2007 initiated “mystery shopping,” whereby ministry-engaged personnel pose as members of the public enrolling in BDE driving schools, in order to conduct audits to ensure that the schools are delivering courses in accordance with the ministry-approved curriculum and standards. At the completion of our fieldwork, the Ministry had completed a number of mystery-shopping assignments and was in the process of following up on the audit findings.

### RECOMMENDATION 3

The Ministry of Transportation should ensure that driving schools are providing students with training in accordance with the ministry-approved curriculum by:

- developing and following a more comprehensive and curriculum-based approach to inspection;

- following up on deficiencies found and taking more definitive action where repeat violations are being noted; and
- working with the Ministry of Government Services to help inform students about driving schools that are on its Consumer Beware List.

### MINISTRY RESPONSE

The Ministry has improved its oversight of driving schools and refined and strengthened its audit program, including mystery shoppers, to ensure that performance standards are achieved. The Ministry is now auditing each school to establish a performance baseline using a risk-based audit strategy to target high-risk schools.

The Ministry is following up on deficiencies and has introduced legal measures to take corrective action or revoke the status of non-compliant schools. The names of non-compliant schools are now posted on the Ministry’s website.

The Ministry has also updated its website to advise the public of driving schools that are listed on the Ministry of Government Services’ Consumer Beware List.

### Driver-education Certificates

Driving schools can order as many driver-education certificates from the Ministry as they want, as long as they submit an enrolment list; however, there is no verification of the enrolment lists to ensure that only eligible drivers are on the list. As well, the Ministry does not use reconciliation procedures to determine whether the number of driver-education certificates ordered by the driving schools was reasonable when compared to the number of students that could be taught given the number of

instructors on staff. A concern expressed by virtually all the external stakeholders we interviewed (including, for example, driving schools, driver associations, and the insurance industry) was that unscrupulous driving schools were selling driver-education certificates to students who have not completed the required driver education.

We found many cases where the number of driver-education certificates ordered was questionable. For example:

- One driving school had not provided the Ministry with a record of having issued any of its driver-education certificates to students, but it had repeatedly ordered certificates over the last year.
- A number of other schools ordered significantly more certificates than the number of students that their instructors were capable of teaching, which we estimated to be about 200 students a year. The Ministry had not questioned or investigated such schools.

In addition, the Ministry had not ensured that situations involving potential fraud were dealt with adequately. For instance, in October 2006, in response to repeated anonymous complaints about the sale of fraudulent driver-education certificates, the Ministry conducted an inspection of a driving school and found that the accuracy of its student records was in question. However, the Ministry did not take further action to correct the problem.

#### RECOMMENDATION 4

The Ministry of Transportation should strengthen its controls to minimize the risk of driver-education certificates being issued to students who have not completed the required driver training. It should also follow up on any suspicions of fraudulent selling of certificates and take immediate action where such suspicions are confirmed.

#### MINISTRY RESPONSE

The Ministry agrees with this recommendation. The Ministry is strengthening controls to mitigate fraud and ensure that driver-education certificates are provided only to students who have successfully completed a ministry-approved course. In 2008, the Ministry will replace paper certificates with an electronic link to the driver database. This action will significantly help improve controls over the confirmation of successful course completion and the issuance of certificates.

#### Non-Ministry-approved Driving Schools

We noted that a number of driving schools that were advertising as ministry-approved were, in fact, not on the Ministry's list of approved course providers. This could be an indication that those schools are offering substandard driver training, since they may not have been able to meet the minimum standards for becoming ministry-approved course providers.

While the Ministry stated that the responsibility for investigating questionable business practices of this nature lies with the Ministry of Government Services, its reputation could be in jeopardy, since the public would expect driving schools that say they are ministry-approved to be inspected by the Ministry to ensure they provide a high-quality service.

#### RECOMMENDATION 5

To protect the public, the Ministry of Transportation should work with the Ministry of Government Services and take action to ensure that only legitimate course providers are allowed to operate and advertise as ministry-approved course providers.

## MINISTRY RESPONSE

As of June 2007, under the *Highway Traffic Act*, it is illegal for non-approved schools to represent themselves as approved schools. As of December 2007, only those driving instructors working for ministry-approved driving schools will be allowed to teach new drivers in Ontario. Schools that are not approved and continue to teach new drivers can be charged under the *Highway Traffic Act*. The Ministry will be actively enforcing these new requirements.

### Driving Instructors

Under a *Highway Traffic Act* regulation, a person who wishes to become a class G driving instructor must have had at least four years of driving experience, have completed a driving-instructor course taught by a chief or master driving instructor, have no more than six demerit points, be cleared by a criminal-record search for prescribed sections of the Criminal Code of Canada, and pass certain vision, knowledge, and road tests.

We noted that the Ministry had not reviewed or updated the driving-instructor course since 1997. Nor has there been a training program for master or chief driving instructors since 1992. Currently, there are 18 master or chief driving instructors in the province.

In addition, we noted that driving instructors with repeated infractions under the *Highway Traffic Act* are permitted to teach novice drivers the rules of the road. For example, a person who became a driving instructor in February 2007 had four demerit points and had received six licence suspensions since August 2004 for unpaid fines. (The fines were for not having a valid vehicle permit, improper use of a seatbelt, not having an insurance card, and failing to produce a driver's licence.)

Once driving instructors are licensed, there is no requirement (outside of what is required under the present law for the general driver population) that they be up to date on the necessary standards. We noted that three U.S. jurisdictions do require or are in the process of requiring periodic refresher training for maintaining a driving-instructor licence.

Our review of the Ministry's database of driving instructors found that, as of December 2006, approximately 360, or 6.5% of 5,500 driving instructors, had accumulated demerit points (compared to approximately 1.4% of the general driver population), for such violations as speeding; failing to use, or improper use of, seat belts; and disobeying a traffic light. The proposed new regulations would prohibit driving instructors from having more than three demerit points at any time. If the new proposed demerit point requirements had been applied to the driving instructors as of December 2006, 72 of them would have had their instructor's licences revoked.

Complaints against instructors are followed up only as part of the inspection of the instructor's school if that school is in the BDE program. In other cases, the complaint is referred to the Ministry of Government Services. However, as mentioned above, some schools have not been inspected since 2004, and in cases where there are numerous complaints, although the school may be inspected, action was rarely taken against the driving instructor. We noted that two driving instructors who had been convicted of fraud under \$5,000, including falsifying student records, were still licensed as driving instructors.

## RECOMMENDATION 6

To ensure that student drivers receive proper training, and to protect the safety of the public, the Ministry of Transportation should:

- update the driving-instructor curriculum and consider reinstating training for new master driving instructors;



- consider strengthening the training requirements for maintaining a driving-instructor licence; and
- ensure that instructors that are the subject of numerous complaints are more stringently dealt with.

## MINISTRY RESPONSE

The Ministry is developing new requirements for master driving instructors that will ensure a high standard for those who teach driving instructors. The Ministry continues to work with the industry to ensure that a sufficient number of qualified master driving instructors are available.

The Ministry agrees that driving instructors must lead by example. The Ministry is considering introducing refresher training for driving instructors. The Ministry has also significantly strengthened requirements for maintaining a driving instructor's licence and has reduced the allowable number of demerit points that an instructor can acquire from six to three. As well, any new driving instructors must now have zero demerit points and no criminal code convictions before they are licensed.

The Ministry takes complaints against driving instructors seriously and investigates the complaints it receives. Under the *Highway Traffic Act*, the Ministry now has the authority to cancel driving-instructor privileges based on complaints, when warranted. As well, driving-instructor licences will continue to be cancelled for reasons relating to the instructor's driving record, including, for example, excessive demerit points.

## Driver Certification Program

In addition to the BDE program, which serves class G drivers, the Ministry is also responsible for the other classes of driver's licences (classes A, B, C, D, E, F, and M) and the air-brake endorsement (class Z). Drivers who want to upgrade their G licence to the other classes may do so through a Driver Examination Centre or through an employer or community college authorized under the Driver Certification Program. Since drivers who have these licences often drive tractor trailers and other large vehicles, it is essential for the safety of the public that they have the appropriate driving skills before being granted a higher-class licence.

Under the Driver Certification Program, which was established in 1977, the Ministry may designate organizations such as municipalities, transit authorities, trucking companies, and school bus companies as Recognized Authorities. These organizations are given the authority to operate ministry-approved training and testing programs for their employees, who, upon successful completion of the program, can have their driver's licence upgraded or renewed by the Ministry.

The Recognized Authorities employ or contract with qualified instructors, who are approved by the Ministry as Signing Authorities instructors to deliver the training and testing program. There are currently about 400 Recognized Authorities and 1,400 Signing Authorities instructors in the province. Every year, the Recognized Authorities administer approximately 8,600 road tests, which represent about 20% of all road tests for all licence classes except G and M.

It is ministry policy to inspect each Recognized Authority at least once a year in order to examine training and test records and inspect test sites to ensure that the Ministry's standards are being adhered to. We noted, however, that Recognized Authorities were being inspected only about once



every three years. In addition, the current inspection process for the driver-certification program is limited to an examination of documents. With the exception of motorcycle and air-brake examinations, there was no inspection of actual training being given and of the thoroughness of the examinations. We also noted that documentation regarding the scope of the inspections and such information as the number of employees were missing from the inspection files.

Nevertheless, over the years, the inspections that were conducted and the Ministry's investigation of complaints found significant breaches of ministry standards. The findings from the inspections and investigations included cases where Recognized Authorities or Signing Authorities instructors were upgrading drivers who had not received any training or demonstrated the necessary driving skills, were upgrading non-employees, were upgrading licences in exchange for payment, or were affiliated with driving schools. The Ministry requires that Recognized Authorities not be affiliated with driving schools because it would create the potential for Signing Authorities instructors to upgrade the licences of their own students. We also noted that Signing Authorities instructors could administer the written tests to themselves and authorize their own licence renewals.

In a number of those cases, the Ministry had suspended the Recognized Authorities or Signing Authorities instructors and downgraded the licences of the drivers involved to their previous class. However, these problems were persisting, as evidenced by the findings from recent inspections. Ministry staff and external stakeholders told us that in some industries there is a shortage of drivers and a high turnover rate, a situation that created the pressure to upgrade more drivers. This could pose significant risks to the safety of the drivers themselves and other drivers on Ontario's roads.

## RECOMMENDATION 7

To minimize risk to the safety of the public and given the concerns that are arising from current inspections of those organizations that are allowed to train and test drivers for the more advanced licence classes, the Ministry of Transportation should:

- comply with its policy to inspect those organizations annually and expand its inspection to include the training and examination processes; and
- pay particular attention to the risk of those organizations providing an advanced class of licence to unqualified drivers.

## MINISTRY RESPONSE

The Ministry agrees with this recommendation. The Ministry has reviewed the current inspection process and, in 2008, plans to move from an annual inspection schedule to a risk-based inspection process to target and follow up on high-risk Recognized Authorities. The new process will include inspection of the training and examination processes.

The Ministry will pay particular attention to those organizations providing an advanced class of licence to unqualified drivers. The new risk-based inspection process will enable the Ministry to address this and other issues and will result in the Ministry removing Driver Certification Program privileges from any organization found to be licensing unqualified drivers.

## DRIVER EXAMINATIONS

### Monitoring the Service Provider's Delivery of Examination Services

#### Overview

Under the Ministry's agreement with the service provider for the administration of driver-examination services, the services to be performed by the service provider include verifying applicants' identification, administering knowledge and road tests, collecting examination fees, issuing temporary driving permits, and operating a telephone call centre. The Ministry retains the responsibility to oversee the agreement.

As part of its process to ensure that adequate service is provided to the public, the Ministry was successful in including 92 performance standards and other contractual obligations in the agreement. For compliance monitoring purposes, the standards have been classified by the Ministry as high-, medium-, or low-risk. Nineteen of the 92 performance standards are considered high-risk; they cover such areas as obtaining valid identification, recording driver information accurately, completing road test score sheets properly, and adhering to the wait-time standards. The medium- and low-risk standards pertain mostly to customer service.

If the service provider fails to meet a performance standard, the failure constitutes a "Performance Standard Default" under the agreement. When there is a performance standard default, the Ministry may issue a Performance Deficiency Notice (PDN), which carries a specified fine and/or requires the service provider to submit a plan for corrective action. The total of all performance deficiency amounts in one calendar month is not to exceed \$130,000.

#### Compliance Monitoring

In accordance with the agreement, the service provider pays the Ministry \$200,000 per month to fund the Ministry's audit and compliance functions. The compliance monitoring approach developed

by the Ministry is risk-based, in that high-risk standards are to be measured for compliance on a monthly basis, whereas medium-risk and low-risk standards are to be measured every six months and once a year, respectively.

In reviewing the compliance monitoring that had been carried out, we noted that as of April 2007 only the high-risk standards had been measured for compliance. Furthermore, there were significant differences in the frequency with which different examination centres were monitored. For example, our review of the Ministry's compliance monitoring from April to October 2006 showed that the examination centres in the Eastern Region were visited monthly as required. In contrast, even though the Central Region handled more than half of all transactions in the province, its centres were visited less than half as often as required. We noted that the Ministry had no formal criteria for deciding which centres would be visited when it could not inspect all centres on the required monthly basis, such as by targeting the ones with recurring performance problems.

Our analysis of the compliance monitoring results showed that between April and October 2006, the Ministry monitored approximately 61,500 transactions and procedures. The Ministry found 5,024 defects, which represented an error rate of about 8%. Some of the defects found by the Ministry were inadequate verification of identification of examination applicants for out-of-country licence exchanges and up- and downgrading of licences without documented justification; mistakes in the recording of drivers' information; and incomplete road-test score sheets. Of the 5,024 defects noted, 89, or fewer than 2%, resulted in issuing a PDN. The total value of fines levied was approximately \$240,000, of which the service provider had paid \$141,000. The remaining PDNs were under review, had been withdrawn, or were still outstanding. We noted that the Ministry had not required that the service provider submit plans for

corrective action, in spite of the relatively high error rate, given that these were high-risk standards, and the low number of PDNs issued. For instance, 346 defects related to a failure to ensure that there was no cheating on the knowledge test, but no PDNs were issued and no corrective action was required by the Ministry.

The relatively high incidence of defects could also be indicative of persistent problems. The Ministry had not analyzed the defects to determine whether there may be more serious systemic problems. For example, it would be difficult to determine whether the reason an examiner had failed to fully complete a road-test score sheet with all manoeuvres graded was that he or she had not administered all the tests required or had simply failed to record the results of the tests. Moreover, the Ministry had not notified the service provider of the relatively high number of defects found by the compliance monitoring, and the service provider may be under the wrong impression of its performance given that 98% of the defects did not result in the issuance of a PDN. Consequently, the Ministry may well continue to find a high number of defects in future compliance monitoring, since the service provider may not be taking action internally to address the defects.

The results of compliance monitoring by ministry staff are entered into an information system that produces a report on overall compliance by performance standard, date, and location every month. Using the information from the report, the Ministry reviews the defects identified and, if warranted, issues PDNs to the service provider.

We noted that the information system had only a limited capability to create specialized reports or allow queries of the data, and therefore its usefulness for management decision-making was limited. For example, although the report contained a summary of the compliance rate for the tests conducted, it did not show enough details about the nature of the defects to enable the Ministry to follow up

on and communicate systemic problem areas to the service provider. One of the defects noted on a report is failure to accept only correct documents. However, the report does not provide information as to what specific documents (for example, unsigned passport, expired driver's licence) are not acceptable, and, as a result, corrective action cannot be taken to prevent future recurrences. In addition, the monthly data are not accumulated and updated continuously, nor can the system produce reports automatically for a desired period (other than a calendar month), centre, or test. For the purposes of our audit, we had to calculate this information.

## RECOMMENDATION 8

To help ensure that the outsourced driver-examination function meets its objective of passing only qualified persons, the Ministry of Transportation should:

- conduct compliance monitoring according to the frequency established under its risk-based approach;
- provide the service provider with more information on systemic non-compliance areas noted where a formal default notice was not issued and ensure that such areas are specifically assessed in future compliance reviews; and
- enhance the query and reporting capabilities of the management information system to enable a more proactive approach to identifying the more serious and recurring problems.

## MINISTRY RESPONSE

Appropriate staffing is now in place and the Ministry is conducting audits on all Driver Examination Centres according to the Ministry's risk-based schedule.

The Ministry continues to work with the service provider to refine the reporting structure so that problem areas are more consistently addressed. When the service provider first took over the business, informal monthly audit observations were provided to the service provider. Now, more formal reports, which provide indicators of poor performance, are being sent to all Driver Examination Centres. The service provider is using this information along with its own monitoring data to address problem areas. The Ministry had recognized the need to enhance reporting and had been developing enhancements at the time of the audit. A new reporting structure for the management information system now allows the Ministry to better monitor the results and trends resulting from inspections. It also enables the Ministry to share information in a more timely and effective manner.

The service provider is responsible for responding to deficiencies identified. Failure to address known deficiencies may result in financial penalties.

## Results of Driver Examinations

Driver-examination standards are set by the Ministry to ensure that all exams are conducted the same way throughout the province. So that driving tests may be impartial and uniform, it is necessary for all examiners to have the same basic training and to measure a driver's skill and ability consistently.

As of February 2007, there were approximately 340 driver examiners for all classes of licence in Ontario: 44% in the Central Region, 29% in the Southwest Region, 18% in the Eastern Region, and 9% in the Northern Region.

## Pass Rates

One of the performance standards in the agreement with the service provider requires that the service provider meet the provincial historical average pass rate in each class for each month (usually 60% for G1 and 65% for G2), plus or minus 4%. The service provider has met this standard since taking over the testing of drivers. From September 2003 to December 2006, the average provincial pass rate for G1 and G2 road tests remained relatively stable: between 60% and 62% for G1 and between 65% and 68% for G2 road tests.

Some differences in pass rates can be expected owing to, for example, differences in examiners' judgment and test routes. However, as indicated in Figures 3 and 4, there were significant differences in pass rates among regions and among examination centres both in different regions and within the same region.

Figure 5 shows the distribution of pass rates among Central Region examiners who each conducted at least 1,000 G1 or G2 road tests during 2006. These examiners accounted for 79% and 76% of all G1 and G2 road tests conducted in the Central Region, respectively.

In the other regions as well, there were cases of large differences among individual examiners' pass rates. We noted, for instance, that at certain centres in the Southwest Region, individual examiners' pass rates ranged from 47% to 79%.

**Figure 3: Road-test Pass Rates by Region, 2006**

Source of data: Ministry of Transportation

Region	G1		G2	
	Total G1 Tests Conducted	Overall Pass Rate (%)	Total G2 Tests Conducted	Overall Pass Rate (%)
Central	200,006	56	142,821	62
Southwest	86,919	67	78,133	70
Eastern	44,118	73	39,627	75
Northern	14,920	82	12,256	85
<b>Total/Avg.</b>	<b>345,963</b>	<b>62</b>	<b>272,837</b>	<b>68</b>

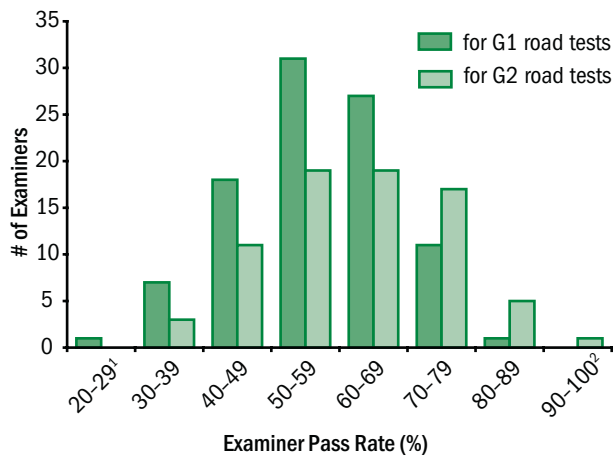
**Figure 4: Percentage of High and Low Road-test Pass Rates for Examination Centres in the Same Region, 2006**

Source of data: Ministry of Transportation

Region	# of Examination Centres	G1 Highest Pass Rate	G1 Lowest Pass Rate	G2 Highest Pass Rate	G2 Lowest Pass Rate
Central	11	71	51	78	55
Southwest	17	79	55	84	54
Eastern	14	88	59	86	69
Northern	13	93	70	94	70
<b>Total</b>	<b>55</b>				

**Figure 5: Pass Rates for a Sample of Examiners, Central Region, 2006**

Source of data: Ministry of Transportation



Note: All examiners in the sample conducted more than 1,000 road tests.  
 1. Zero examiners were in the 20-29% pass-rate range for G2 road tests.  
 2. Zero examiners were in the 90-100% pass-rate range for G1 road tests.

The Ministry’s expectation is that examiner pass rates are analyzed and monitored by the supervisor or managers of each Driver Examination Centre. However, in our survey of driver examiners, two-thirds of the examiners who responded stated that they received little feedback from management about individual pass rates.

### Road Tests

Ministry guidelines set an average time of 20 minutes for the G1 road test and an average time of 30 minutes for the G2 road test. What is more

important, however, is that all manoeuvres be completed, regardless of how long it takes to complete the test.

Depending on the location of an examination centre, a full day’s workload for an examiner comprises a maximum of 21 G1 or 14 G2 road tests, or a combination of the two. Road tests are scheduled in advance on the basis of examiners being able to meet these time expectations. In our survey of examiners, about half the respondents said they had to skip some manoeuvres in order to conduct the number of road tests scheduled for the day. Although bad weather was the main reason given by examiners for having to skip some manoeuvres, many of them also cited over-bookings and insufficient time to conduct the examinations as major contributing factors. Time constraints also prevented the examiners from explaining to the candidates why they had failed and suggesting how they could improve.

The Ministry’s compliance monitoring of the service provider from April to October 2006 also found a considerable number of defects in the completion of road-test score sheets. Of the approximately 8,000 road test score sheets tested, more than 1,000 defects were noted, and 72% of the defects were classified as failure to test all necessary manoeuvres.

In addition to the Ministry’s finding with respect to all necessary manoeuvres not being tested, we noted that the nature of the testing area at some



locations (for example, the absence of a multi-lane highway) may result in applicants not being examined consistently across the province. Applicants who have previously failed or who are aware of easier processes elsewhere may have travelled to another centre that could have less stringent testing requirements. We found that over half of the 10,000 G2 road tests conducted in 2006 at two examination centres outside of Toronto were for applicants who had a Toronto address, and 66 applicants had even gone to both centres, which were 300 kilometres apart, to attempt the road test. We also noted that applicants within and around these two examination centres outside Toronto had a pass rate of about 80%, compared to the provincial average in 2006 of 68%.

## RECOMMENDATION 9

To ensure that driving examinations are carried out consistently across the province, the Ministry of Transportation should:

- investigate significant differences in the pass rates of individual examination centres and require corrective action to reduce the differences; and
- review the time needed to administer road tests with all required manoeuvres being tested, recognizing that this may necessitate either less or more time depending on the municipality in which the centre is located.

## MINISTRY RESPONSE

The Ministry, in conjunction with the service provider, has developed criteria to identify Driver Examination Centres that have an unusually high or low pass-fail rate as part of its risk-based audit program. The Ministry is taking appropriate actions, such as additional training, employee evaluation, review of test routes, and so on, to address any significant variances.

The Ministry is reviewing road-test routes, scoresheets, and training materials to confirm compliance with road-test criteria and is following up on any variances.

## Customer Service

Under the agreement, the service provider must comply with a number of service-level standards so that the public receives high-quality and prompt services, including reasonable wait times. Applicants can book a road test through an automated telephone system, on-line, or in person at a Driver Examination Centre. In our *2001 Annual Report*, we noted that the incidence of wait times up to 29 weeks to take a road test was a chronic problem. Since then there has been significant improvement. According to the performance standard in the delegation agreement, wait times for taking a road test are not to exceed 42 days from the date on which a request for an appointment was made. As of October 2006, the average provincial wait time for all classes of licence was three to four weeks.

In addition to ensuring that wait times are reasonable, the service provider is responsible for operating and maintaining a telephone call centre. The agreement with the service provider defines performance standards for hours of operation, telephone response time, average time per call, and French-language inquiries.

As well, the agreement requires that the service provider prepare a complaint-handling and -resolution plan and submit it to the Ministry. Since 2005, the service provider has been sending the Ministry monthly complaint-summary reports. However, at the time of our audit, the Ministry had not performed any analysis to ensure that both the report content and the service provider's complaint-handling process are satisfactory.

Except for wait times, performance standards relating to customer service are classified as



medium- or low-risk. As mentioned above, as of April 2007, the Ministry had assessed the service provider's compliance with only high-risk standards and therefore had not assessed compliance with these other customer-service performance standards.

### RECOMMENDATION 10

To maintain a high level of customer service, the Ministry of Transportation should periodically monitor the service provider's compliance with its customer-service performance standards, including its complaint-handling and -resolution process.

### MINISTRY RESPONSE

The Ministry continues to improve customer service through a comprehensive customer-service framework that includes gathering data from comment cards, the Minister's correspondence, audit findings, the service provider's Complaint Tracking System, and customer-survey results. Both the Ministry and the service provider use these data to ensure compliance with the complaint-handling and -resolution standards and to enhance customer service at all points of service delivery.

A survey conducted in 2004/05 showed a customer-satisfaction rate of 88% at Driver Examination Centres across the province. A similar survey is planned for 2007/08.

## Performance and Training of Examiners

According to the agreement with the service provider, the Ministry is to provide training to the service provider's trainers, and, in order for examiners to maintain their qualifications, maintenance courses are to be provided periodically. One of the performance standards is that, in each calendar

year, 95% of all driver examiners must attend all categories of maintenance training.

The Ministry had not monitored the training of examiners by the service provider to ensure that they had received the training or refresher training as required. Half of the examiners responding to our survey acknowledged that they did not interpret road-test standards consistently and that they needed more training or maintenance courses.

In addition, to ensure province-wide consistency in the delivery and administration of G2 road tests and to help identify any training needs, examiners are to be observed periodically by a manager or supervisor from their examination centre while they are conducting a road test. These observations of the examiner are known as "check rides." According to ministry policy, each driver examiner is to receive at least two check rides in every six-month period. Although the service provider sends the Ministry the names of all staff who have received check rides, there is no follow-up by the Ministry. We found that frequency of check rides varies greatly. For example, in the first six months of 2006, there were more than 450 check rides, whereas in the second six months there were fewer than 90.

The "mystery shopping" initiative introduced by the Ministry in early 2007 also included audits of Driver Examination Centres and the in-car performance of driver examiners. At the completion of our audit, the Ministry indicated that it was in the process of following up on the results of its audits.

### RECOMMENDATION 11

To maintain a high standard for driving examinations, the Ministry of Transportation should ensure that:

- all driver examiners receive the required training; and
- their work is evaluated periodically and effective performance management procedures are followed.

## MINISTRY RESPONSE

The Ministry agrees with this recommendation. The Ministry has improved communication and monitoring with the service provider to ensure that all driver examiners are properly trained and that the service provider's training records are documented, maintained, and available for each driver examiner.

The contract with the service provider requires that it conduct two in-car evaluations on each driver examiner every six months. The Ministry is working with the service provider to improve driver-examiner performance through timely and regular feedback.

# Drug Programs Activity

## Background

The Drug Programs Branch (Branch) within the Ministry of Health and Long-Term Care (Ministry) administers Ontario's drug programs. Legislative authority for payments made through these programs is established under the *Ontario Drug Benefit Act*, the *Drug Interchangeability and Dispensing Fee Act*, and the *Health Insurance Act*.

The Branch administers the following drug programs:

- Ontario Drug Benefit Program: provides prescription drugs to Ontario seniors, social-assistance recipients (Ontario Works or Ontario Disability Support Program), persons receiving professional services under the Home Care program, and residents of special-care and long-term-care homes.
- Trillium Drug Program: provides assistance to people who do not meet the eligibility requirements of the Ontario Drug Benefit Program and who have prescription-drug costs that are high relative to their income.
- Special Drugs Program: provides funding to cover the costs of certain drugs provided to hospital out-patients for the treatment of specific health conditions as set out in regulations under the *Health Insurance Act*.

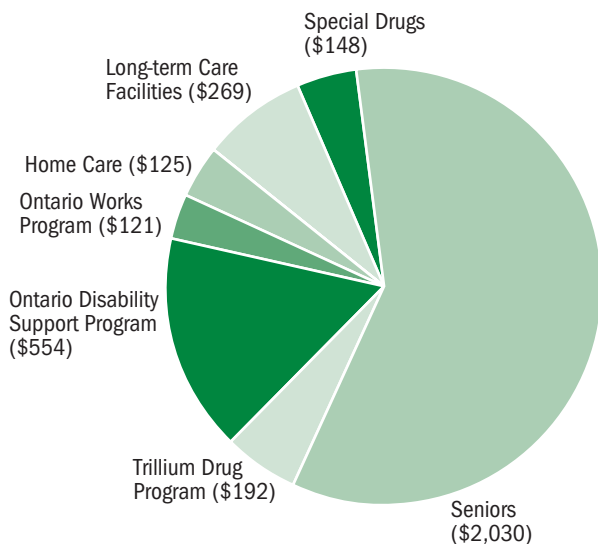
The Branch is also responsible for monitoring the development, operation, and maintenance of the Health Network System (Network), a computer system that links the Branch to approximately 3,050 pharmacies and 100 other dispensers; provides on-line information to pharmacists; and makes possible the submission, adjudication, and payment of drug claims. The Network, which annually processes 90 million prescriptions for approximately 3.2 million eligible recipients, is operated on behalf of the province by a private-sector service provider. The Branch also processes, monitors, and audits claims from drug-benefit providers and acts in an advisory capacity for matters related to drug-benefit claims and payments.

In the 2006/07 fiscal year, Ontario's drug programs had total expenditures of \$3.7 billion, compared to \$3.4 billion in 2005/06. (Figure 1 shows a breakdown of these expenditures.) Of the \$3.7 billion, \$742 million was paid by the Ministry of Community and Social Services for drug benefits for social assistance recipients.

According to the Ministry, the growth of expenditures from \$1.98 billion in 2000/01 (see Figure 2) is owing to many factors, including the increased use of newer and more expensive drugs, the aging of the population, new diseases, new areas of pharmacology, and the shift to outpatient care arising from the restructuring of the health system.

**Figure 1: Drug Programs Activity Expenditures, 2005/06 (\$ million)**

Source of data: Ministry of Health and Long-Term Care (2006/07 figures not available at the time of our audit)



Note: The expenditure for Homes for Special Care was \$3 million.

The Branch employs approximately 102 staff, and it incurred operating expenditures of \$42 million in the 2006/07 fiscal year, up from \$30 million in the 2000/01 fiscal year, the time of our last audit.

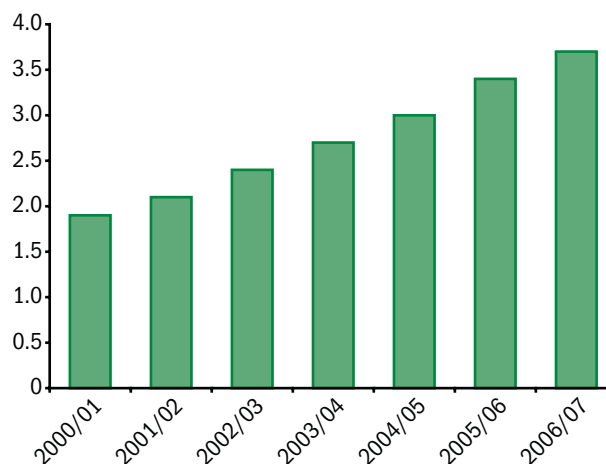
## LEGISLATIVE CHANGES

In 2005, the Ministry established the Drug System Secretariat, which was to conduct an objective, system-wide review of Ontario's entire drug system. This review, completed in January 2006, determined that significant improvements were needed to manage the drug-system framework aggressively through changes in policy, legislation, and regulation. The key framework areas included the pricing of and reimbursements for drug products, access to drug products, more appropriate use of partnerships, innovation, and the strengthening of the governance and operations of the Ontario drug system.

As a result, both the *Ontario Drug Benefit Act* and the *Ontario Interchangeability and Dispensing Fee Act* were amended, effective October 1, 2006. The

**Figure 2: Expenditures on Drugs, Drug Programs Activity, 2000/01–2006/07 (\$ billion)**

Source of data: Ministry of Health and Long-Term Care



Ministry anticipates that these amendments should result in savings through volume discounts for all drugs purchased for the Drug Programs Activity, and in improved access for patients to drugs through new conditional listings and timely reviews of innovative drugs.

The legislative amendments also created the position of Executive Officer of the Ontario Public Drugs Program, who exercises the functions and powers that were formerly held by the Minister of Health and Long-Term Care or the Lieutenant Governor in Council. This person's responsibilities now include designating drug products as interchangeable and publishing updates to the Ontario Drug Benefit Formulary (Formulary), which lists all government-approved drug products and prices. The Ministry expects this will allow for significantly quicker updating of the Formulary than under the previous system.

In 2004, the Standing Committee on Public Accounts recommended that the Ministry "periodically collect and analyze data on the prices paid for comparable drug products in other provincial jurisdictions." The latest review was conducted in early 2007, when the Ministry completed a comparison of the Formulary prices of the top 50 drug products in Ontario by total government

expenditures with those in three other provinces (British Columbia, Saskatchewan, and Quebec). This comparison revealed that the prices paid by Ontario were generally in line with these three other provinces.

## CHANGES IN THE DRUG PROGRAMS BRANCH

In June 2007, after our fieldwork, the activities of the Drug Programs were reassigned to the newly created Ontario Public Drug Programs Office and to a new branch called the Individual Eligibility Review Branch. Although the activities were reassigned, the Ministry continues to be responsible for the areas detailed in this report.

### Audit Objective and Scope

Our audit focused on the claims payment and verification process of the Drug Programs Activity. Our objective was to assess whether the Ministry had adequate policies and procedures to:

- approve, process, and pay claims for drugs dispensed to eligible recipients and to inspect dispensing agencies to ensure compliance with legislation;
- ensure that resources devoted to the claims process and inspection process are managed with due regard for economy, efficiency, and effectiveness; and
- measure and report on its performance in managing drug claims.

Given that the Ministry had recently reviewed the Formulary, we did not examine the processes pertaining to the review and approval of drugs and drug pricing for inclusion in the Formulary.

In conducting our audit, we reviewed and analyzed relevant ministry policies and procedures, reviewed ministry files, and conducted interviews

with ministry staff in Toronto and Kingston. We reviewed files and conducted interviews at a third-party vendor that administered both the Senior Reduced Co-payment Program (part of the Ontario Drug Benefit Program) and the Trillium Drug Program. We met with staff of the Ontario College of Pharmacists to gain an understanding of its role relative to the Drug Programs Activity and to obtain relevant statistical information. We also attended a ministry inspection audit at a dispensing agency.

Before starting our audit, we decided what audit criteria would be used to address our audit objective. These were reviewed and agreed to by senior ministry management.

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 it included such tests and other procedures as we considered necessary in the circumstances. To minimize any duplication of effort, we also relied on certain related work done by the Internal Audit Services of both the Ministry of Health and Long-Term Care and the Ministry of Community and Social Services.

### Summary

We were generally satisfied that the externally managed Health Network System (Network) processed drug claims in accordance with the legislative requirements and ministry policy. In addition, the Ministry has acted on our previous audit recommendation to tender the contract for the Network; this will result in significant savings to the Drug Program. To control costs further, however, the Ministry must be more vigilant in ensuring that the risks related to ineligible claimants and unusual drug-claim patterns are being appropriately addressed. Specifically:

- The Drug Program was required to closely monitor eligibility granted by pharmacists to persons identified as ineligible for drug coverage by the Health Network System by entering override codes in the system. However, we found little evidence that this monitoring was performed even as part of the routine inspection audits that required the inspectors to check support for the use of such codes. Our audit found instances where the Ministry paid for drugs dispensed to persons identified by the system as ineligible for drug coverage through pharmacy overrides. In one case, a pharmacy made more than 300 claims in a five-month period through system overrides for one person who was ineligible for drug coverage during that time. While the Ministry was unable to provide support for all the overrides, it was able to obtain temporary eligibility cards from dispensing pharmacies that supported the majority of the payments. Because it does not consistently monitor these overrides, the Ministry is unable to detect and minimize the chance that ineligible individuals will receive drug coverage.
- Pharmacists can be paid for drug prices in excess of the Formulary prices if they enter an override code in the system when they acquire drugs at costs greater than the Formulary prices. Our review of a sample of price override claims paid in February 2007 found that more than 30% of the unit drug prices exceeded their Formulary prices by more than 100%. In one case, the price claimed exceeded the Formulary price by 12,500%. This resulted in the Ministry paying almost \$2,400 for a claim that, according to the Formulary price, should have cost less than \$20. In some cases, the Ministry conducted follow-up investigations and found that the higher drug prices claimed were the result of input errors at pharmacies and, therefore, the excess amounts were recoverable.
- Our audits in 1996 and 2001 revealed a lack of ministry inspection resources, a lack of planning for efficient utilization of inspectors, and insufficient inspection coverage. The Standing Committee on Public Accounts recommended that the Ministry review its inspection resources and report to the Committee after the anticipated completion of the review by late 2004, including a plan to respond to the review. Our current audit revealed that the above concerns were not addressed and the review recommended by the Committee was not completed. Since our last audit, the growth in claims activity, combined with a reduction in the number of field inspection staff, has significantly reduced the inspection coverage of dispensing agencies. Currently, inspectors can only examine each dispensing agency about once every 30 years.
- Given its limited inspection resources, the Ministry needs to use them more effectively by targeting high-risk dispensing agencies across the province. We found that unusual claims statistics, which highlight areas for investigation, had not been effectively used for inspection selection. For instance, our review of data for the 2005/06 fiscal year where 20 dispensing agencies filled prescriptions for an average drug supply of less than three days, showed that only one of them had been inspected in more than six years. Such statistics could highlight dispensing agencies that might be inappropriately dividing the quantity of a prescribed drug into smaller amounts in order to dispense it more often and charge more dispensing fees. In conjunction with the Ministry, we selected a dispensing agency that had a high number of claims per drug recipient and attended the related field inspection. This single inspection found



\$270,000 in overpayments, with more than \$240,000 of that due to claims for invalid dispensing fees.

- The Ministry did not pursue the recovery of annual outstanding unpaid deductibles under the Trillium Drug Program. In 2005/06, some 19,300 Trillium households received \$23 million in drug coverage but had more than \$6 million in outstanding unpaid deductibles at year-end. The Ministry could not provide information on the number of these households that had had outstanding unpaid deductibles in previous years.

In our *2001 Annual Report*, we expressed concern about the Ministry's extending a contract with the same vendor since 1993 for maintenance and development of the Health Network System without using a competitive selection process. Its most recent contract—for five years, at a total cost of \$63 million—was to expire in November 2005. The Ministry requested and subsequently received Management Board approval to extend the contract with the same vendor for another 24 months. During the 24-month period, an external consultant was engaged to assess contract requirements. On the basis of the results of that review, the Ministry decided to deliver directly some of the services that had been part of the previous contract. It then completed a competitive selection process, resulting in a new contract with a different vendor for a term of six years at a significantly reduced cost of about \$28 million.

We sent this report to the Ministry and invited it to provide responses. We reproduce its overall response below and its responses to individual recommendations following the applicable recommendation.

## OVERALL MINISTRY RESPONSE

The Ministry is dedicated to the fair and responsible delivery of public drug programs to ensure

that recipients of Ontario drug benefits, who are among Ontario's most vulnerable citizens, have access to the medications and treatments they need. The Ministry generally accepts the recommendations of the Auditor General and will take action to address them.

## Detailed Audit Observations

### ELIGIBILITY FOR DRUG COVERAGE

The Ontario Drug Benefit Program (Program) covers most of the cost of over 3,100 drug products listed in the Ontario Drug Benefit Formulary (Formulary). The majority of these drug products are prescription drugs; there are also nutritional and diabetic-testing products. The Formulary includes the price the Ministry will pay for each drug, which the drug manufacturers have agreed to. A person is eligible for drug coverage if he or she is an Ontario resident, has valid Ontario Health Insurance, and falls into one of the eligible drug coverage categories. To receive drug coverage, eligible recipients may be asked to pay some portion of the cost of their prescription drug product, in the form of co-payments and deductibles, for each benefit year. A benefit year runs from August 1 to July 31 of the following year. The eligible categories of drug coverage and the related deductibles and co-payments are shown in Figure 3.

### Eligibility for Senior Reduced Co-payment

When a person turns 65, he or she is automatically eligible for drug coverage as a "high-income" senior. There were 1.1 million high-income seniors, who received \$1.4 billion in drug coverage in 2005/06. In order to qualify for the reduced co-payment program, a "low-income" senior must

**Figure 3: Categories of Eligibility, Deductibles, and Co-payments, by Drug Program as of 2006/07**

Source of data: Ministry of Health and Long-Term Care

Eligibility Category	Deductible(s) (\$)	Co-payments (\$)
<b>Person Aged 65 or Older</b>		
single senior, income greater than \$16,018	100	6.11 <sup>1</sup> /2.83 <sup>2</sup>
senior couple, income greater than \$24,175	100 each	6.11 <sup>1</sup> /2.83 <sup>2</sup>
single senior, income less than \$16,018	—	2.00
senior couple, income less than \$24,175	—	2.00
<b>Other</b>		
resident of long-term-care home	—	2.00
resident of a Home for Special Care	—	2.00
recipient of professional services under the Home Care Program	—	2.00
recipient of benefits from Ontario Works or Ontario Disability Support Program	—	2.00

1. retail pharmacy

2. hospital pharmacy

submit an application with appropriate supporting income documentation, such as a Notice of Assessment from the Canada Revenue Agency (CRA). In 2005/06, there were 341,000 low-income seniors, who received \$627 million in drug coverage. Once a person has been assessed as eligible for the reduced co-payment, no further annual applications need be made; seniors are required only to notify the Ministry if their income increases during their enrolment. The Ministry entered into an agreement with the CRA in April 2005 enabling the Ministry to obtain confirmation of seniors' annual income levels through an electronic link. However, at the time of our audit, this link had not been put in place for the reduced co-payment process—although we noted that it was in place for the Trillium Drug Program income-verification process.

## Data Pertaining to Eligible Social-assistance Recipients

In the 2006/07 fiscal year, the Ministry reported that 585,000 social-assistance recipients received \$742 million in drug coverage. Every day, the Program receives data from the Ministry of Community and Social Services (MCSS) documenting the eligible recipients of Ontario Works and Ontario Disability Support Program assistance. Data pertaining to new and terminated social-assistance recipients is provided through an automatic interface that is uploaded into the Health Network System (Network). In addition, a monthly comparison of the Network data to the MCSS database is made and any data mismatches are followed up on by MCSS.

MCSS issues a system-generated or manual drug card to social-assistance recipients for drug coverage every month. Pharmacists are allowed to grant temporary eligibility to individuals who present a valid drug-benefits card even if the system does not recognize them. The pharmacist does this by entering an override code in the system. In 2006/07, 155,000 eligibility overrides were granted, for which 518,000 individual drug claims were submitted and paid. We selected a sample of recipients who received drug coverage for a significant number of claims through eligibility overrides granted by pharmacists. We verified this sample directly with MCSS to determine whether these recipients were actually eligible for social assistance in the 2006/07 fiscal year. On the basis of MCSS data, we found that some of these recipients with pharmacists' overrides received drug coverage when they were apparently ineligible. In one case, a pharmacy used system overrides to make more than 300 claims in a five-month period for one person who was ineligible for drug coverage during that time. (See Inspection and Verification later in this report.)

A March 2007 report issued by MCSS internal audit services identified similar concerns regarding pharmacists' overrides. However, MCSS staff did not have the authority to conduct physical inspections at the pharmacies. The authority lay with the

Inspection Unit of the Branch. Although all of these drug costs related to social assistance are borne by MCSS, the onus for inspection remained on the Drug Programs Inspection staff. The Inspection Unit Policy and Procedures Manual specifically requires inspection staff to monitor the use of these eligibility overrides closely. We found little evidence that inspection audits had reviewed any of these overrides we found. Once we had pointed out the above cases, Program staff conducted a follow-up investigation and found that most of the eligibility overrides we reviewed were supported by manually issued eligibility cards. As noted earlier, there was little verification by Program inspectors of these eligibility overrides. We were concerned that even when inspection staff were required to verify eligibility overrides as a standard test for routine audits, there was no evidence that the test was performed in over 80% of the routine audit files we reviewed.

Because of the lack of ministry monitoring of system overrides on a routine basis, it is not able to detect and minimize the risk that ineligible individuals will receive drug coverage.

### Eligibility for Residents of Long-term-care Homes

In the 2006/07 fiscal year, 99,800 program recipients in long-term-care homes received \$295 million in drug coverage. The Program does not obtain information on residents of long-term-care homes from sources such as the homes or the Ministry's Long-Term Care Program to verify eligibility for drug coverage. In addition, Program Inspection staff indicated that they did not have the authority to audit the records of long-term-care homes. Instead, they rely on individual pharmacies to claim for drugs provided to long-term-care residents by entering the identification number of an active long-term-care home.

The lack of independent verification may lead to drug claims being made for ineligible recipients. In fact, our review of the Ontario College of

Pharmacists' disciplinary notices showed a number of instances where dispensing pharmacists were under review for continuing to claim for drugs dispensed to recipients who had either died or were no longer residing at a long-term-care home.

## RECOMMENDATION 1

To ensure that only eligible recipients receive or continue to receive drug coverage, the Ministry of Health and Long-Term Care (Ministry) should ensure that:

- income levels of seniors receiving reduced co-payments are supported by proper documentation or through electronic means, such as the Canada Revenue Agency income link;
- eligibility override codes used by pharmacists are applied and supported appropriately;
- the use of override codes is monitored and abnormally high override rates are investigated; and
- continuing eligibility of long-term-care residents is confirmed independently by obtaining information from the long-term-care homes or the Ministry's Long-Term Care Program.

## MINISTRY RESPONSE

In 2005, the Ministry began a phased implementation of automated income-verification linking to the Canada Revenue Agency (CRA) database. The Trillium Drug Program was implemented as the first priority because it poses a higher risk than the other programs, having higher deductibles. Further systems development is still required. Once the implementation is completed, the Ministry will implement a process for the Seniors' Co-payment Program. Seniors applying for the lower co-payment program have always been required to provide hard-copy proof of income, such as a Notice of Assessment from the CRA.

The Ministry will continue to pursue appropriate use of eligibility override codes and will review and document their use in a consistent manner as part of routine audits.

The Ministry will identify options to verify claims from long-term-care clients.

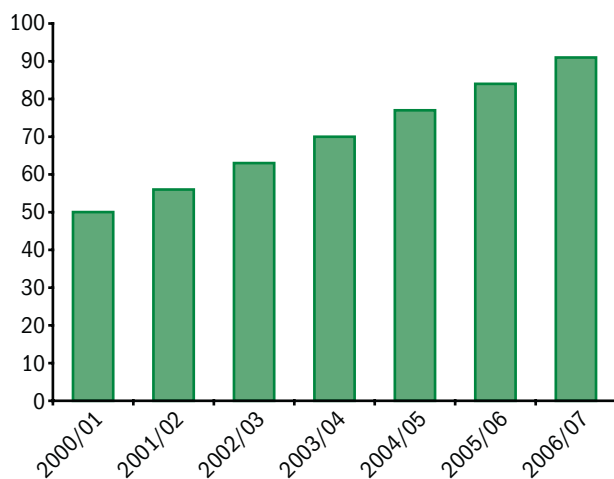
## PROCESSING OF PAYMENT CLAIMS

The Health Network System (Network) is an on-line, real-time claims system that links all Ontario dispensing agencies directly to the Ministry for claims adjudication and processing. The Network processes claims seven days a week 24 hours a day. The Network also emails information on drug benefit changes, program changes, and payment information to dispensing agencies.

As illustrated in Figure 4, in the 2006/07 fiscal year, the Network processed over 90 million claims transactions—an increase of over 80% from the 2000/01 fiscal year. About 99% of these were on-line claims from dispensing agencies. The remaining claims included paper claims and prescription receipts submitted for reimbursement.

**Figure 4: Total Number of Claims (million), 2000/01–2006/07**

Source of data: Ministry of Health and Long-Term Care



## Electronic Processing of Payment Claims

The Network automatically performs a series of adjudication processes, including assessment of eligibility, validation of claim submission data, calculation of a recipient's co-payments and deductible amounts, computation of the Program's share of costs, and provision of information or warning messages to dispensing agencies.

From our testing, we found that the Network generally processed claims in accordance with the legislative requirements and ministry policy, with the following exceptions:

- The *Ontario Drug Benefit Act* states that Ontario Works recipients are limited at any one time to a drug supply sufficient for a 35-day course of treatment. Our audit found that the Program management made a business decision to process Ontario Works recipients' claims with drug supply limits of up to 100 days if the person is also eligible under another program, such as Trillium. Although there is likely no additional cost to taxpayers, the business decision did not comply with the legislated maximum limit of 35 days for Ontario Works recipients.
- In July 2003, owing to a regulatory change, the Network was modified to increase the dispensing fee allowed for hospital pharmacies. This modification inadvertently increased the amount of the drug recipients' co-payment, which should have remained unchanged. The Program only identified and corrected this error in October 2006, three years after the incorrect change was made. We estimate that this error, over a three-year period, resulted in about \$400,000 in overpayments by drug recipients.
- A legislative regulation specifies the amount of the dispensing fee the Program pays to hospital pharmacies. Before October 2006, this was about half the amount paid to retail pharmacies. In some cases, individuals choose

to pay for their own prescriptions and then submit receipts to the Program for reimbursement. We found that, in such cases, if the prescription was filled at a hospital pharmacy, the Network erroneously paid the individual dispensing fee at the retail rate rather than the lower rate established by the legislation. We noted that the regulations were changed in October 2006 so that hospitals and retail pharmacies receive the same maximum dispensing fee. However, if the dispensing fees were to diverge again, the Network would continue to apply the dispensing fee in effect for retail pharmacies to reimbursements for prescriptions filled at hospital pharmacies.

In addition to the above concerns, we contacted the Ontario College of Pharmacists to obtain a 2006 listing of pharmacies that had closed. Over half of the pharmacies we reviewed that were listed by the College as being closed were still recorded in the Network as being open.

## RECOMMENDATION 2

To help ensure that all claims are processed accurately and completely in accordance with legislative and policy requirements, the Ministry of Health and Long-Term Care should:

- periodically perform Health System Network (Network) assessments or tests to identify areas of non-compliance, with particular emphasis on ensuring that the network has been updated for program changes; and
- regularly obtain information from the Ontario College of Pharmacists on pharmacy closings to update the Network database.

## MINISTRY RESPONSE

The Ministry is reviewing the adjudication rules on the Health Network System (Network) and will specifically review the rules that deal with adjudication of claims by Ontario Works clients.

New Acquirer Host Network agreements implemented in June and July 2007 require that the Ministry be notified of changes to a pharmacy connecting through such a network. The Ministry will enforce the agreements to ensure it promptly receives information on pharmacy changes.

The Ministry verifies a pharmacy's licence from the Ontario College of Pharmacists (OCP) when the pharmacy registers for an Ontario Drug Benefits Program billing account. The OCP previously provided the Ministry with updates of changes for accredited pharmacies. This practice was discontinued because the Ministry was the only user of the report. The Ministry will investigate the possibility of reinstating the regular OCP updates.

## Cost-to-operator Payments

Although drugs are to be provided at Formulary prices, the *Ontario Drug Benefit Act* allows claims to be submitted and paid at the acquisition cost of a drug plus a mark-up of 10% (8% effective April 2007), if the drug exceeds the Formulary price. These claims are referred to as “cost-to-operator” claims (an “operator” being a dispensing agency) and are processed on-line through the Network when the pharmacists input a price override code in the system.

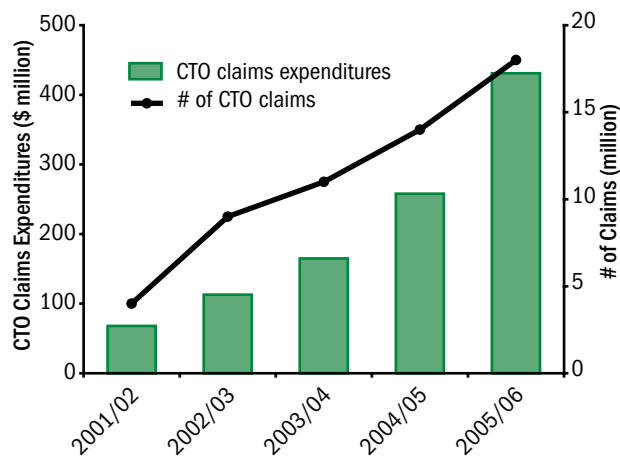
Ministry statistics show a significant increase over the past five years in cost-to-operator claims and expenditures—instances where drug prices paid by dispensing agencies exceeded the published Formulary prices—as seen in Figure 5. In the 2005/06 fiscal year, total cost-to-operator expenditures were \$431 million, compared to \$67.8 million in the 2001/02 fiscal year—an increase of over 500%.

We reviewed a sample of cost-to-operator claims paid out during February 2007 and found that over



**Figure 5: Total Cost-to-operator (CTO) Claims and Expenditures, 2001/02–2005/06**

Source of data: Ministry of Health and Long-Term Care



30% of the unit drug prices in this sample exceeded the related Formulary drug prices by more than 100%. When we brought these observations to the Ministry's attention, program management indicated that most of these cost-to-operator claims were owing to drug manufacturers charging market prices that exceeded the Formulary prices, including one claim that was over 12,500% higher than the Formulary price. This resulted in the Ministry's paying almost \$2,400 for a claim that, according to the Formulary price, should have cost less than \$20. In some of these cases, the Ministry conducted follow-up investigations and found that the higher drug prices claimed were because of pharmacy inputting errors. Program management stated that they would pursue the pharmacies to recover the overpayments.

The Ministry indicated that, when drug manufacturers do not comply with the Formulary prices, it can take any of the following actions: de-list the drug product from the Formulary; refuse to review any other drug submissions from the manufacturer; and claim overpayment refunds from the manufacturer. However, discussions with ministry staff indicated that the Ministry has not taken any of the above actions. While it was not within the scope of

our audit to review the setting of prices for drugs in the Formulary, we were advised that the Drug System Secretariat is reviewing this issue relating to cost-to-operator payments.

Effective October 1, 2006, legislative changes were made to limit the use of cost-to-operator intervention codes for processing claim payments. To provide for a reasonable transition period, the Ministry decided to continue to pay all cost-to-operator claims up to March 1, 2007. We were informed after our audit that, in June 2007, the Ministry implemented a process where the cost-to-operator intervention code would not be accepted for the processing of cost-to-operator claims for generic drugs. We understand that the Ministry was considering this same process for its review of brand-name drugs.

### RECOMMENDATION 3

To ensure that it pays drug prices charged in excess of Formulary prices only when appropriate, the Ministry of Health and Long-Term Care should:

- regularly review and monitor pharmacy claims for manufacturer costs exceeding Formulary prices for accuracy and for evidence of manufacturer invoice support; and
- take appropriate action to recover overpayments when claims are found to be invalid or incorrect and when drug manufacturers are in non-compliance with Formulary prices.

### MINISTRY RESPONSE

The Ministry had identified the issue of non-compliance with Formulary prices, and, as part of initiatives relating to the *Transparent Drug System for Patients Act, 2006*, regulations were amended to restrict cost-to-operator claims. The Ministry has implemented processes to disallow the use of cost-to-operator intervention codes for interchangeable (generic) products



and is in the process of blocking use of the code for single-source (brand) products with price agreements and where there are no equivalent interchangeable products. As part of routine inspections, these claims are reviewed and subjected to recovery. The Ministry recently reviewed Formulary products to ensure that the information was accurate and up-to-date, and discontinued products were removed.

### Manual Processing of Paper Claims and Reimbursement Receipts

In certain cases, pharmacists must submit paper claims for processing. These include instances where, for example, a claim was submitted for a drug that was dispensed more than seven days previously, the claim is equal to or greater than \$10,000, or the drug took more than 99 minutes to mix.

As part of our review of controls over manually processed claims, we selected a sample of recently completed manual claims for our assessment. Our review found that more than 10% of the manually processed claims contained inputting errors. Such errors included incorrect dispensing fees, dispensing fees entered in the wrong field, incorrect claim amounts for drugs, and failure to include payments from private insurance companies. Because manually processed claims usually cover large amounts of money, incorrect processing can result in significant costs to the Program. For example, among the errors described above, we noted that:

- A \$1,500 payment was incorrectly entered as \$15,000, resulting in a Program overpayment of \$13,500.
- A private insurance payment was not included in the calculation of the final claim amount, resulting in a Program overpayment of \$5,000.

Because there was no quality-assurance review process for any of these cases, Program staff were unaware of these overpayments until we brought

them to their attention. Program staff told us that they would try to recover the overpayments.

### RECOMMENDATION 4

To ensure that all manual claims are valid and are accurately processed in compliance with legislative and policy requirements, the Ministry of Health and Long-Term Care should conduct regular quality-assurance reviews of such claims.

### MINISTRY RESPONSE

The Ministry has implemented a quality-assurance process that has reduced errors in manually processed paper claims. The Ministry will conduct periodic reviews to ensure continued data integrity. The quality-assurance process will be adjusted accordingly.

In the identified overpayments case, claims were corrected and overpayments recovered.

### INDIVIDUAL CLINICAL REVIEWS

The Individual Clinical Review (ICR) process exists to enable physicians to make funding requests on behalf of their Program-eligible patients for drugs generally not listed in the Formulary. Each request submitted is individually assessed by the ICR Unit, which comprises about 40 full-time staff. This review process was originally introduced as a special authorization process to provide access to drugs in exceptional circumstances where Formulary drugs were ineffective or not tolerated, or where no alternative was available on the Formulary. The types of products requested included, for example, cancer drugs, hematologic drugs, and oral hypoglycemic drugs.

Ministry statistics show a significant increase in the number of ICR requests since our last audit, from 84,000 in the 2001/02 fiscal year to about

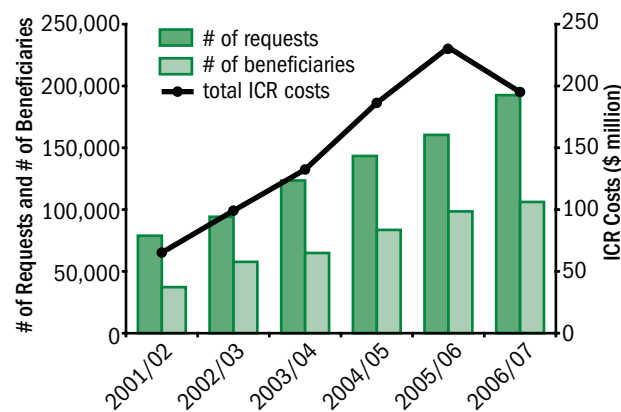
190,000 in 2006/07, as illustrated in Figure 6. A corresponding growth in ICR claim payments also occurred over this period, from \$65 million in 2001/02 to \$195 million in 2006/07. The significant growth in the number of ICR requests over the past six years demonstrates that this process, which was intended to handle exceptional circumstances, has now become a routine and labour-intensive review process for non-Formulary drug funding.

Aware of this significant growth, the Ministry took action in 2006 and, through legislative changes, introduced a new “Conditional Listing” category in the Formulary to allow patients access to new drugs or to existing drugs for use under specific conditions. During the period of our audit, the Ministry, through partnership agreements with drug manufacturers, approved nine categories of high-request drugs, representing 33 drug products, for inclusion in the Formulary, many of them under the conditional listing category. For a sample of these drugs, we compared their Formulary prices to their market prices before their inclusion in the Formulary. We found that the Formulary prices for these drugs once they were included were either the same or lower than the amounts previously paid for them.

The Ministry estimated that the inclusion of these drugs in the Formulary would result in an annual decrease of about 40,000 ICR requests. However, the exact figure could not be determined because, while the current information system can track high-volume-request drugs, it did not track the requests for specific drugs according to the medical condition for which they were being prescribed. Because the Formulary allows particular drugs to be prescribed for certain medical conditions and not for others, the Ministry would need to track ICR requests by diagnosis to determine more precisely how many such requests could be eliminated by including specific high-request drugs in the Formulary. Given that each ICR request is assessed individually, a further decrease in requests could result in significant savings for the Ministry and less paperwork for the prescribing physicians.

**Figure 6: Total Number of ICR Requests, ICR Beneficiaries, and Total ICR Costs, 2001/02–2006/07**

Source of data: Ministry of Health and Long-Term Care



## RECOMMENDATION 5

To more effectively identify high-request drugs for inclusion in the Formulary, the Ministry of Health and Long-Term Care should consider tracking Individual Clinical Review drug approvals by diagnosis type and the related numbers of requests.

## MINISTRY RESPONSE

The Ministry uses volume and cost data to identify high-request drugs—considered through the Individual Clinical Review process—for inclusion in the Formulary. This information is tracked. Diagnostic information is less relevant to the analysis.

## TRILLIUM DRUG PROGRAM

The Trillium Drug Program (Trillium) was introduced in 1995 to provide financial assistance to individuals and families who were not eligible for coverage under the Ontario Drug Benefits Program but who had incurred high drug costs relative to their incomes. Trillium’s benefit period operates from August 1 to July 31 of the following year.

Recipients must pay an annual deductible payable in quarterly instalments. The deductible amount is based on the number of people in the household and the household's net income, and is generally about 4% of the total household net income. Once the quarterly deductible is met, households pay only \$2 per prescription. If the deductible is unpaid in one quarter, it is added to the next quarter's deductible. In 2006/07, Trillium's total costs were \$234 million, compared to \$77 million in 2000/01, the time of our last audit.

Commencing in 2006, the Ministry received income information electronically from the Canada Revenue Agency to determine the individual deductible amounts. Individuals have the option of consenting to this electronic transfer of income information. Those who do not consent must still provide annual proof-of-income documentation.

Our review of the Trillium Drug Program found the following:

- More than 20% of the Trillium applications we reviewed lacked the required proof-of-income documentation, and there was no evidence of ministry or third-party-vendor follow-up to obtain the proper documentation.
- In our *2001 Annual Report*, we noted that the Ministry did not pursue the recovery of annual outstanding unpaid quarterly deductibles. There was no follow-up on outstanding unpaid deductibles, and they were not carried forward to the first quarter of the next benefit year. During this current audit, we found that the Ministry still did not pursue the recovery of these annual outstanding unpaid quarterly deductibles. In addition, the Ministry could not tell us how many of the 19,300 Trillium households with \$6.1 million in outstanding unpaid deductibles had outstanding unpaid deductibles in prior years. These households received \$22.9 million in drug coverage in 2005/06.
- The Ministry had not conducted any analysis or follow-up on the potential collectibility

of the unpaid amounts from any of the prior years.

Our review of the outstanding Trillium unpaid deductibles since our last audit, in 2000/01, shows that outstanding unpaid deductibles have increased by over 700% and drug coverage for households with outstanding deductibles has increased by almost 520%, as illustrated in Figure 7.

In response to our 2000/01 audit findings, the Ministry indicated that it would examine options for reducing or eliminating underpayments of the deductible and options for recovery. However, there is still no ministry policy to require follow-up and recovery of unpaid Trillium outstanding deductibles at year-end.

**Figure 7: Expenditures for Claims by Households with Unpaid Deductibles, 2000/01–2005/06**

Source of data: Ministry of Health and Long-Term Care

	Households with Outstanding Deductibles (000)	Outstanding Deductibles (\$ million)	Drug Coverage Received by these Households (\$ million)
2000/01	5.0	.75	3.7
2001/02	7.8	1.45	7.5
2002/03	8.9	1.75	9.0
2003/04	9.4	1.96	10.4
2004/05	14.1	4.00	15.2
2005/06	19.3	6.10	22.9
<b>Total Increase</b>	<b>286%</b>	<b>713%</b>	<b>519%</b>

## RECOMMENDATION 6

To ensure that the Trillium Drug Program is administered in accordance with legislative requirements, the Ministry of Health and Long-Term Care should:

- ensure that households provide appropriate documentation verifying income; and

- develop and implement appropriate policies and procedures to pursue unpaid deductibles owed to the Ministry.

## MINISTRY RESPONSE

In the processing of Trillium applications, Canada Revenue Agency (CRA) income data are used wherever available. For consenting individuals, the CRA provides data electronically, with a 96.5% success rate. Approximately 85% of Trillium members provide consent.

The Ministry is considering legislative, policy, and operational options relating to recovery of unpaid deductibles. The Ministry does not currently have the legislative authority to carry over unpaid deductibles to the next year (Trillium eligibility terminates on July 31 each year).

## SPECIAL DRUGS PROGRAM

The Special Drugs Program covers the full cost of certain drugs used in the outpatient treatment of 12 diseases or conditions listed under the Regulations to the *Ontario Health Insurance Act*, including HIV, end-stage renal disease, growth failure, and schizophrenia. Eligible recipients do not pay any deductible or co-payments for drugs obtained under this program. To be eligible, the person must be an Ontario resident with valid Ontario Health Insurance, have one of the diseases or conditions covered by the program, meet the established clinical criteria, and be approved by a designated facility, usually a hospital, for a specific drug product.

Program expenditures were \$154 million in the 2006/07 fiscal year, an increase of more than 40% over the \$107 million spent in the 2000/01 fiscal year, the time of our last audit. The increase over this period was mainly due to the lifting in 2002 of a freeze imposed nine years earlier on adding new drugs to the Special Drugs Program.

## Processing and Monitoring of Special Drugs Claims

Hospitals generally submit monthly claims to the Ministry for cost reimbursement for special drugs used to treat eligible recipients. The hospital drug prices paid to manufacturers are either the current market drug prices or contract drug prices negotiated between the drug manufacturers and the Ministry.

We selected a sample of hospital claims to verify whether the prices paid were equal to or less than the maximum contract prices negotiated by the Ministry. In half of the sample, drug manufacturers' invoices had been submitted. For these claims, we were generally satisfied that drug prices paid were in accordance with contract prices.

For the other half of the sample, however, drug manufacturers' invoices were not provided; instead, internally generated hospital reports were submitted. Our review of these claims and the internally generated hospital reports showed the following:

- Claims from two of the six large hospitals did not provide sufficient details—such as the drug quantities purchased or the per-unit price paid—to enable us to make a comparison to the related contract prices. There was also no evidence that the Ministry obtained the necessary details to verify the prices paid against the maximum contract prices in effect. These claims represented about one-third of the claims we reviewed.
- For the remaining two-thirds of the claims, most did not have contracts with negotiated drug prices, so the details provided in the internally generated hospital reports could not be verified. For the non-contract drugs, we noted that one drug increased in price by 25% within a three-month period; as well, one hospital paid 40% more for one drug than another hospital had paid three months earlier. In one case where there were contract prices, we found that the per-unit prices paid

exceeded the contract prices by 15%. Since the Special Drugs Program did not perform any analysis on the hospital claims submitted, the reasonableness of the higher prices could not be assessed.

There was no evidence that the Ministry requested further details to support any of the drug prices claimed or to verify the accuracy and validity of the information submitted by the hospitals.

In addition, we noted that hospitals were reimbursed on two different bases. Some of the hospital claims were reimbursed on the basis of their purchases of the special drugs. Others were reimbursed on the basis of the actual use of the special drugs by their outpatients. Because most drugs have expiry dates, one would expect that reimbursements based on actual drug use would encourage better inventory control and management of drug stock. At the time of our audit, however, the Ministry had not assessed which claims-reimbursement method would result in better drug-inventory management practices and therefore less cost to the Ministry.

## RECOMMENDATION 7

To ensure that the cost of special drugs used is minimized, the Ministry of Health and Long-Term Care should:

- develop and implement appropriate and consistent policies and procedures relating to the Special Drugs Program that address the supporting claim information required, including details about drug quantities and unit prices paid, and the acceptable reimbursement method;
- consider securing more contracts with drug companies for better special-drug prices; and
- consider conducting periodic reviews of hospital supporting records to verify the accuracy and validity of the amounts claimed.

## MINISTRY RESPONSE

The Ministry is taking action to develop consistent policies and procedures for the Special Drugs Program. A process has been initiated with hospitals to standardize invoicing practices. Contracts, similar to agreements with manufacturers to establish price commitments for Formulary-listed products, may be a suitable model for the Special Drugs Program to control the prices of the products the program funds.

## INSPECTIONS AND VERIFICATIONS

The Inspection Unit's key objectives are to co-ordinate and support province-wide, post-payment verification of the accounts of pharmacists, dispensing physicians, and other providers supplying services to persons eligible for drug benefits and to ensure that claims submitted to and paid by the Program comply with the legislation and the Ministry's inspection policies and procedures manual. Any overpayments identified through inspection audits are to be recovered. During the 2005/06 fiscal year, the Inspection Unit completed approximately 110 field-inspection audits and identified over \$1 million in recoverable overpayments.

Our audits in 1996 and 2001 raised significant concerns regarding the lack of ministry inspection resources, the lack of planning for efficient use of limited resources, and insufficient inspection coverage.

Our current audit found that our previous concerns over inspections had still not been addressed, as noted in the sections below.

### Inspection Resources and Coverage

In our *2001 Annual Report*, we expressed concerns about the Ministry's limited inspection resources;



the Ministry responded that it would conduct a review of the resources for inspecting pharmacies. The Standing Committee on Public Accounts also recommended that the Ministry review its inspection resources and report to the Committee after the anticipated completion of the review by late 2004, including a plan to respond to the review. Our current audit revealed that the review recommended by the Committee was not completed even though the number of claims increased by about 80% between the 2000/01 and 2006/07 fiscal years, from 50 million to about 90 million. The number of full-time inspection field staff had decreased over the same period from five to three.

Our review showed that the Ministry conducted about 100 inspections during the 2006/07 fiscal year, covering about 3% of the total number of dispensing agencies in Ontario. If the Ministry continues at this rate, each dispensing agency will be audited approximately once every 30 years—a much longer period than when we did our last audit, when it was estimated that every dispensing agency would be inspected once every 10 years. This is a significant concern because the *Ontario Drug Benefit Act* requires only that pharmacists retain certain documents for two years. Given the low audit coverage rate, pharmacy records maintained for only the minimum required time would not likely be available for inspection.

In addition to the limited inspection coverage, the Ministry has not prepared an overall inspection audit plan for the numbers and types of inspection audits to be conducted. An overall plan would facilitate the effective allocation of inspection audits among the inspection staff.

### Inspection Selection

To use the available inspection resources in the most efficient and effective manner, the Ministry should select for audit those dispensing agencies that will best meet its stated objective of ensuring

that overpayments are identified and recovered. This would require that the Ministry's inspection selection process be effective in targeting high-risk dispensing agencies in order to identify abuses, recover overpayments, and provide deterrence. At the time of our audit, although the Network had the capability to extract data according to specified risk factors, the Ministry was not using this capability in a systematic way across the province. Instead, it relied significantly on complaints and referrals.

Our audit identified a number of high-risk areas that warrant more regular inspection efforts. For example, as mentioned earlier, if a person who is not in the Network presents a valid drug-benefit card to a pharmacist, the pharmacist may override the system to grant that person temporary eligibility for drug coverage. To assess the Inspection Unit's efforts to review these Network overrides, we looked at a sample of dispensing agencies with a high number of overrides, ranging from 500 to over 10,000, during the 2005/06 fiscal year. We found that about half of these agencies had not been inspected since our last audit in 2000/01. The other half had been inspected, and we found that the Ministry had identified overpayments in all cases. However, we noted that there was no evidence that these overpayments were related to reviews assessing the validity and appropriateness of granting eligibility, which might potentially identify additional overpayments.

Another high-risk area involved agencies inappropriately reducing prescribed quantities of drugs in order to charge more dispensing fees. Accordingly, we reviewed the data for 20 dispensing agencies that in 2005/06 dispensed an average supply of less than three days' worth of drugs to recipients. Our review showed that only one of these agencies had been inspected in more than six years. As part of our current audit, for observation purposes, we requested to attend at a field-inspection site. Together with the Ministry, we selected for inspection purposes a dispensing agency with a high



number of claims per drug recipient. Upon completion of the inspection, about \$270,000 was identifiable as recoverable, with more than \$240,000 of this amount due to claims for invalid dispensing fees.

### Review of Completed Inspection Files

Inspectors conduct three different types of inspections: routine inspections, where they examine a cross-section of various claims; in-depth inspections, where they examine a targeted selection of claims, prompted by specific allegations or unusual claims-payment statistics; and specific inspections, where the scope is limited to a particular type of claim. To support the inspection work and related recoveries, the inspectors are responsible for accurate and complete documentation of the work conducted.

We reviewed a sample of completed inspection files over a three-year period from the 2004/05 to 2006/07 fiscal years and found the following:

- For the routine inspection files we reviewed, none contained evidence of testing in all of the claim types, as required by the Inspection Unit's policy and procedures manual. For example, testing for eligibility overrides through review of drug-benefit cards was not conducted in over 80% of the reviewed files, even though the manual requires that the inspection unit closely monitor the use of these overrides. In addition, for half of the files sampled, there was no evidence of testing for the validity of dispensing more expensive brand-name drugs instead of the lower-cost generic equivalents.
- There were no standard inspection audit programs by inspection type. This may have contributed to the fact that all the files we reviewed were missing documentation or contained inconsistent documentation for review. For instance, some files contained a summary

of the inspection procedures conducted and the results of the inspection work, while other files did not contain any information on the inspection procedures followed or any summaries of the inspection tests completed. Lack of documentation makes it difficult to assess the completeness and appropriateness of the inspection work conducted.

- According to the Inspection Unit's policy and procedures manual, inspectors must use their judgment to evaluate whether further investigation or corrective procedures are required, and to determine the degree of follow-up monitoring. However, the Ministry had not developed any guidelines or criteria to help inspectors identify situations for follow-up monitoring. For instance, our review of the inspection files and discussions with inspectors indicated that follow-up inspection work was not regularly conducted.
- Workload standards did not exist for the time taken to complete the inspection of a dispensing agency according to its type and size. None of the inspection files we reviewed recorded the time taken to conduct and complete the inspections. Through discussions with each inspector responsible for the files, we found that the inspection time varied from a low of less than one day to a high of 26 days, with the average being 9.5 days. In addition, the Ministry did not formally monitor inspectors' workload performance to identify areas for improvement. Our review of the 2006/07 inspection data found that the workloads varied from 10 inspections conducted by one inspector, who found \$75,000 in overpayments, to 59 inspections by another inspector, who found \$680,000 in overpayments.
- Our review of inspection files indicated that lack of inspection-audit training partly accounted for deficiencies in the completeness of the inspection work conducted and

the quality of the documentation support. We noted that inspection staff received training mainly by attending conferences on fraud and courses on privacy legislation. Individual inspectors sometimes also sought permission to attend pharmacological seminars and other sessions of interest to them. However, while all the inspectors were pharmacists, they received no formal training in how to conduct an audit using techniques such as risk assessment, development of inspection programs, selection criteria, file completion, and follow-up requirements.

In the case of the recovery of overpayments from dispensing agencies, ministry policy allows for repayment to be made in instalments and for interest to be charged on such instalment payments. However, we found that the Ministry never charged interest penalties on any instalment payments. In addition, under the *Ontario Drug Benefit Act*, the Ministry can take court action to penalize dispensing agencies for identified offences. This route was seldom taken to deter repeat offenders. Our file reviews found cases where the inspectors had discovered agency overpayments in the same areas as in a previous inspection of the same agency.

### RECOMMENDATION 8

To promote thorough and effective inspections that encourage ongoing compliance, the Ministry of Health and Long-Term Care should:

- conduct a review of the inspection staffing resources and develop an overall audit plan to ensure that sufficient inspection resources are in place to provide adequate inspection coverage across the province;
- on a regular and systematic basis, select dispensing agencies for inspection using appropriate risk factors;
- provide inspectors with ongoing formal audit training in how to conduct an audit,

including risk assessment, development of inspection programs, file completion and documentation, and follow-up requirements; and

- deter repeat offenders by enforcing existing legislative penalties.

### MINISTRY RESPONSE

The Ministry values the work of its inspectors. Work is currently under way to augment pharmacy-inspection resources. As part of this work, the Ministry will address the qualifications and ongoing training requirements of its pharmacist-inspection staff. Various quality-assurance measures are in place to review inspectors' work. The team meets regularly to discuss program changes and identify audit functions to support changes. The Ministry continues to support ongoing training for the inspectors. In almost all cases, pharmacists agree with audit findings and recovery amounts. The Team Leader reviews the findings of each inspection. Significant issues are reviewed with management.

Annual inspection and performance plans are set by management. Targeted inspections may be performed on the basis of program priorities that may not be identified in the annual plans. Variation exists in inspection time depending on pharmacy size and inspection complexity. A standard format to document audit scope, methodology, and findings will be created.

Once a claim is determined by the Ministry to be inappropriate, the reimbursed amount for that claim is recovered. This is an effective deterrent. Potential fraudulent activities are referred to the Ontario Provincial Police and tracked by the Ministry. Professional practice issues are referred to the Ontario College of Pharmacists.

## COMPETITIVE SELECTION OF VENDORS

### Health Network System

Management Board directives require that the procurement of services be obtained competitively in an open, fair, and transparent process. This is intended to minimize the risks of over-dependence on a single supplier and to obtain services at the best cost to the taxpayer.

In our *2001 Annual Report*, we expressed concern that the Ministry had extended a contract with the same vendor since 1993 for the development and maintenance of the Health Network System (Network) without using a competitive selection process. The most recent contract—for five years, at a total cost of \$63 million, or an average of about \$12.6 million a year—was to expire in November 2005. The Ministry indicated that it would commission an evaluation of the Network in 2003 to assess the services provided and the options available for future operations. However, we noted that the evaluation was not performed in 2003. As a result, the Ministry requested and subsequently received Management Board approval to extend the contract with the same vendor for another 24 months, from November 2005 to November 2007, at a cost of about \$26 million. During the 24-month period, the Ministry engaged an external consultant to assess contract requirements. On the basis of that review, the Ministry decided to deliver directly certain of the services that had been part of the previous contract.

At the time of our audit, we noted that the Ministry had recently completed a competitive selection process to acquire services to support the Network. A new contract for a term of six years was signed with a new vendor. The contract commenced in November 2006—with the first year being a transition year with the previous vendor—and is set to end in November 2012 for a contract price of about \$28 million. The Ministry has the option to extend the contract for two additional

two-year terms. Through this competitive selection process, the Ministry will generate significant cost savings.

### Trillium Drug Program and Seniors Reduced Co-payment Program

Since 1996, the Ministry has outsourced the administration of the Seniors Reduced Co-payment Program. In the 2004/05 fiscal year, the Ministry prepared an assessment of its options with respect to the administration of the Trillium Drug Program and, on the basis of this assessment, decided to outsource Trillium as well. The Ministry conducted a competitive selection process to acquire the services of a vendor to administer both the Seniors Reduced Co-payment Program and Trillium. In June 2006, the Ministry entered into a three-year contract with the successful vendor for administering the two programs. This contract allows for an option to renew the contract for two separate one-year extensions, with an overall maximum contract price of approximately \$12 million over the five years. We were satisfied with the Ministry's competitive process used in the selection of the vendor.

## CONTRACT MANAGEMENT

The contract entered into in 1996 for the third-party administration of the Seniors Reduced Co-payment Program included performance standards against which the Ministry would measure the vendor's actual activities, such as receipt processing and application processing. The contract also specified charge rates for these activities and allowed for onsite inspection audits of the vendor's premises to verify accuracy. Under the new contract for the Seniors Reduced Co-payment Program and the Trillium Drug Program, the Ministry continues to have the right to monitor contract management to ensure that proper levels of service are provided and that the Ministry does not overpay.

On the basis of work we conducted at both the Ministry and the third-party vendor's premises, we found the following:

- Prior to our audit, the Ministry had never conducted onsite inspection audits of the vendor's processes to verify the validity and accuracy of the monthly invoiced amounts. Accordingly, we visited the vendor's premises to review the vendor's supporting materials for a sample of invoices. We identified instances where the backup records did not agree with the monthly invoiced amounts. For example, we noted discrepancies for each of the four days we reviewed. On one day, the Ministry was overcharged about \$1,130. Although this overpayment is not large, collectively, a review of all days could result in a significant difference.
- The Ministry did not independently reconcile its data against the third-party reported data for areas such as new and renewal applications processed or receipts processed.

The Ministry informed us that, at the time of our audit, it was assessing and developing a periodic review process for onsite inspection audits and was in the process of reviewing and defining the information required to generate ministry reports for reconciliation purposes. During the audit, the Ministry initiated onsite reviews.

## RECOMMENDATION 9

To ensure that the third-party processor of the Trillium Drug Program and the Seniors Reduced Co-payment Program complies with the terms of its contract, the Ministry of Health and Long-Term Care should:

- regularly conduct ongoing audits of the third-party processor's records and supporting documents to confirm the accuracy and validity of the amounts invoiced; and

- develop and implement the necessary ministry information reports to facilitate reconciliation of the amounts invoiced.

## MINISTRY RESPONSE

In 2006, the Ministry outsourced Trillium to a vendor to administer in conjunction with the Seniors Co-payment Program. Once the transition was completed, the Ministry initiated, in November 2006, a project to design and implement ongoing regular inspection and verification of the vendor's processing of claims and invoices. Interim reports on this work were shared with the Auditor General. In February and March 2007, inspection began, and reporting tools to document inspection results and outcomes with the vendor were implemented in July 2007.

Ministry report requirements are being defined to facilitate reconciliation of invoices.

## PERFORMANCE MANAGEMENT

The Ministry annually prepares a Report Card that provides statistical information on all aspects of the Drug Programs Activity. We noted that the Ministry has done a good job of putting in place various performance standards for work conducted by third-party vendors that measure and report on:

- the timeliness in processing of claims, such as downtime-tolerance standard, response-time standard per transaction, and pay-cycle completion standard;
- help-desk effectiveness in providing various kinds of support to dispensing agencies, such as maximum time in responding to telephone inquiries, average length of calls, and the average maximum percentage allowed daily for abandoned calls;

- eligibility assessment for the Trillium Drug Program and the Seniors Reduced Co-payment Program, such as standards for processing receipts for reimbursements, maximum time for application processing, and acceptable percentage of processing errors.

In contrast, we noted that the Ministry did not have performance standards for work conducted internally to monitor the quality of services and post-payment verification, such as inspection workload standards mentioned earlier. While a Ministry correspondence standard exists to address complaints and inquiries, we found that the time taken to respond to complaints and inquiries exceeded the standard ministry-required response time by an average of 11 days. In addition, we noted that complaints and inquiries received about pharmacy practices were not logged so that the type of complaint or the action taken by the Ministry could be tracked. Such a tracking system would enable the Ministry to analyze the information to determine if there are any common patterns or concerns that may require more focused attention in a particular area or may require legislative or policy changes.

### RECOMMENDATION 10

To better monitor and assess the performance of the Ministry of Health and Long-Term Care in meeting its objectives, the Ministry should:

- regularly measure and report actual results against the performance standards, with variances, if any, being resolved on a timely basis;
- comply with its correspondence standards in handling complaints and take corrective action when response times exceed ministry standards; and
- track and analyze the types of complaints and inquiries received about pharmacy practices in order to identify areas for corrective action or improvement.

### MINISTRY RESPONSE

The Ministry is defining performance standards for processing Individual Clinical Review requests. Guidelines have been in place regarding processing rush and semi-rush requests.

A joint tracking system for the Individual Eligibility Review Branch and the Ontario Public Drug Programs is in place to assist in ensuring compliance with correspondence standards and issues-management standards.

A more formal process for tracking incoming complaints related to pharmacy practices will be implemented.

# Fish and Wildlife Program

## Background

The Ministry of Natural Resources (Ministry) seeks to bring about a healthy environment—one that is naturally diverse and supports a high quality of life—through the sustainable development of Ontario’s natural resources. The Ministry aims to accomplish this with commitments to biodiversity and to the protection and sustainable use of natural resources such that nature can renew itself and be available for the use and enjoyment of future generations.

The Ministry estimates that 5.5 million Ontarians take part each year in recreational fishing, hunting, and wildlife viewing and that these activities are worth nearly \$11 billion a year to the provincial economy and account for more than 77,000 jobs. Ontario’s commercial fishery, the largest freshwater fishery in the world, has a processed annual value of more than \$200 million.

The Fish and Wildlife Branch (Branch), through its head office in Peterborough, provides leadership and direction to three regional offices and 25 district offices that deliver Fish and Wildlife Program (Program) services in the field. The district offices are responsible for species management, maintenance of fishing and hunting opportunities, public information, and customer service. The Branch also

oversees specialized functions, such as scientific research, the operation of fish hatcheries, and legislative enforcement, which are delivered by other divisions and branches within the Ministry.

Since April 1, 1996, all licence fees, royalties, fines, and other revenues collected under the *Fish and Wildlife Conservation Act* have been retained in a Fish and Wildlife Special Purpose Account and dedicated to Program expenditures. Total funding for the Program in the 2006/07 fiscal year was \$74.2 million, comprising \$59.5 million from the Special Purpose Account and \$14.7 million from the Ontario government.

## Audit Objective and Scope

The objective of our audit of the Fish and Wildlife Program (Program) was to assess whether the Ministry of Natural Resources (Ministry) had adequate procedures in place to:

- measure and report on the effectiveness of the Program in fulfilling its mandate to manage fish and wildlife resources for sustainability; and
- ensure compliance with related legislation and ministry policy.

The scope of our audit included discussions with relevant staff as well as a review and analysis



of documentation provided to us by the Ministry's head office and a sample of regional and district offices. We also reviewed practices and experiences in other jurisdictions with respect to the sustainability of fish and wildlife resources and the management of biodiversity. The Ministry's internal audit branch had not performed any audits on fish and wildlife activities in the last five years. Accordingly, its work did not have an impact on the scope of our audit.

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. The criteria used to conclude on our audit objectives were discussed with and agreed to by ministry management and related to systems, policies, and procedures that the Ministry should have in place.

## Summary

Although the Ministry had gathered data and carried out assessments on fish and wildlife resources, this information was not sufficient or current enough to be utilized to ensure that the Ministry was effectively conserving biodiversity and managing resources for sustainability. In addition, while the Ministry had taken steps to address some of the issues surrounding biodiversity and sustainability with the issuance of Ontario's Biodiversity Strategy in 2005 and the enactment of the *Endangered Species Act, 2007*, we noted a number of examples involving plant, fish, or wildlife species where sustainability is of increasing concern.

A number of our observations suggest that the reason, at least in part, for the Ministry's difficulty in meeting its goal of managing resources

for sustainability is reductions in available financial resources. Although program funding has been relatively stable for the past 20 years, the \$67.4 million spent on fish and wildlife in the 1987/88 fiscal year is equivalent to more than \$100 million in today's dollars, as compared to the \$74.2 million actually spent in 2006/07. Additional investments may well be needed to address several of our concerns.

With respect to *biodiversity*, we found the following:

- One of the major threats to biodiversity is habitat loss and fragmentation. Although the Ministry has issued guidelines and frameworks to protect fish and wildlife habitats, it has no comprehensive inventory of all critical habitats key to the recovery or sustainability of fish and wildlife resources. Identifying these critical habitats would help the Ministry develop strategies to protect them from further degradation.
- We recommended in our 2002 audit of the Ontario Parks Program (then responsible for species at risk) that the Ministry develop an overall strategy to provide for the conservation, protection, restoration, and propagation of species at risk. We noted in the current audit that such a strategy has been drafted but has not yet been approved or implemented. The Ministry also has 120 recovery strategies in various stages of development for endangered and threatened species. However, just 22 of these have been released by the Ministry for public comment. In addition, only two of the approved recovery strategies related to the 42 regulated endangered species—those deemed most at risk. For example, the golden eagle has declined to an estimated six nesting pairs in Ontario, yet no recovery strategy is in place. We also noted that the status of six species designated as “threatened” or “vulnerable” during our 2002 audit has since declined further, to “endangered.”

- While the Ministry took some action to monitor and control the further spread of identified invasive species, it generally had not conducted or obtained the scientific research needed to determine the long-term impacts and the long-term action necessary to contain or eradicate these species. In addition, more proactive upfront research is needed to identify potential invasive species before they severely affect native species or cause restoration costs to escalate.

With respect to *wildlife management*, we found the following:

- The Ministry did not have complete and current data on moose populations. Of the 68 geographic areas being managed that calculate moose harvest quotas and allocate hunting tags, 41 (representing 60%) reported a huntable population greater than the total estimated population for the area. Consequently, more hunting tags were issued than the harvest guidelines recommended.
- The Ministry had no management plan for dealing with the overabundant deer population. While an abundant deer herd provides increased hunting opportunities, an overabundant deer population can adversely affect biodiversity, species at risk, forest regeneration, sensitive ecological areas, and the habitats of other wildlife species, and can increase the risk of exposure to transmittable diseases and parasites.
- Harvests of black bears in some areas may be occurring at unsustainable levels. Of the 76 bear management areas for which data were available, at least 10 reported harvest levels in excess of guidelines for 15 of the 18 years between 1987 and 2004.
- The forest-dwelling woodland caribou is a threatened species in Ontario. While the Ministry has developed a draft recovery strategy for this species, it has been slow to finalize

and implement it. Biologists have warned that the recovery strategy needs to be implemented on a more timely basis to maintain the woodland caribou population and its habitat.

With respect to *fisheries management*, we found the following:

- While the Ministry's management of commercial fisheries has been largely successful in promoting the sustainability of commercial fish stocks, there was a need for better monitoring and enforcement. There were a number of examples occurring in some fish-management zones on Lake Superior and Lake Huron, where commercial and aboriginal operators consistently exceeded their catch quotas. In addition, the Ministry had no policy for managing "bycatch," the unintended catch of fish other than the target species; nor did it have procedures to estimate the quantity or species of the bycatch. Without this information, it is difficult to determine the harvest limit needed by species to sustain the commercial and recreational fishing for each species.
- The Ministry did not carry out enough evaluations to assess the success of its fish-stocking program, intended to rehabilitate fish stocks and provide enhanced recreational angling opportunities. In addition to the 8.5 million fish the Ministry stocks in lakes and rivers each year, community groups stock 6 million fish annually. The Ministry tests the fish that it stocks for disease, but there was no program for testing fish stocked by community groups. Without any such testing, there is a risk of introducing infectious diseases that could threaten the health and sustainability of the indigenous fish population.

With respect to *enforcement*, we found the following:

- For the 2006/07 fiscal year, the enforcement units we reviewed prepared a risk-based plan

outlining enforcement activities necessary to effectively protect natural resources. However, these units reported a reduction from planned levels of between 15% and 60% in the number of patrol hours by conservation officers. These reductions affected such enforcement activities as patrols to stem the illegal harvest of big-game animals, monitoring of sport fishing in sensitive fisheries, and aerial patrols of remote tourist areas.

The reduction of deterrent patrols by conservation officers may have put added pressure on the province's fish and wildlife resources. For example, we noted that when one enforcement unit carried out a two-week enforcement blitz in 2006, it seized 57 illegally hunted moose, almost double the 29 moose seized during a similar blitz in 2005.

- Effective deployment of conservation officers helps deter illegal activity and protect resource sustainability. However, the current deployment strategy has left gaps in enforcement coverage that could have a detrimental effect on resources. In one area visited, we noted that there was no full-time lake conservation officer to patrol a lake that was home to 30 licensed commercial fishing operators.

We sent this report to the Ministry and invited it to provide responses. We reproduce its overall response below. As for its responses to individual recommendations, the Ministry provided either a separate response per recommendation or a combined response to two or more recommendations. Those responses follow the appropriate recommendations in Detailed Audit Observations.

### OVERALL MINISTRY RESPONSE

The Ministry appreciates the audit of the Fish and Wildlife Program undertaken by the Office of the Auditor General and the series of recommendations made to enhance program delivery. The Ministry will give full consideration to

the recommendations when setting business priorities and developing future strategic directions.

The objectives of the Ministry's Fish and Wildlife Program are to manage fish and wildlife resources and associated habitats on a sustainable basis. The Program has been realigned and broadened to be consistent with the Ministry's overall strategic directions, which place greater priority on protecting biodiversity and habitat. Funding will be focused on high-priority areas. In setting priorities, risk-based analysis and a landscape or ecosystem approach to managing resources will be used. A key milestone in this approach has been the development of Ontario's Biodiversity Strategy, which will function as an overarching plan to protect Ontario's natural heritage.

## Detailed Audit Observations

### BIODIVERSITY

Biodiversity refers to the interconnected variety of life at all levels, including the interactions between species and entire ecosystems. The loss of one species may disrupt the balance of life in the ecosystem, affecting other plants, animals, insects, and even humans. As human activity increases, so too does the number of species and ecosystems at risk. Biodiversity is beneficial to all species because it can help to clean the air, recycle and purify drinking water, provide food and shelter, and moderate the effects of climate. The diversity of natural life also provides economic benefits to Ontario through forestry, hunting, fishing, and other recreational activities. The major threats to biodiversity and its life-supporting ecosystems are habitat loss and fragmentation, invasive species, pollution, and unsustainable use.

## Ontario's Biodiversity Strategy

Over the past 25 years, countries around the world have recognized the need to create a better balance between the effect of human activity on ecosystems and the capacity of the Earth to absorb these human impacts. In 1980, the *World Conservation Strategy* issued by the World Commission on Environment and Development laid the groundwork for biodiversity strategies. By 1992, the United Nations issued its Convention on Biological Diversity, which led to an international agreement that commits nations to achieve a significant reduction in the current rate of biodiversity loss by 2010. In 1995, the federal, provincial, and territorial governments agreed to the *Canadian Biodiversity Strategy*.

In 2005, the Ministry issued *Protecting What Sustains Us: Ontario's Biodiversity Strategy*, outlining the threats to biodiversity, and *Our Sustainable Future*, which outlines the Ministry's strategic directions to meet those threats. This strategy also had two goals: protect the genetic, species, and ecosystem diversity of Ontario, and reap benefits for Ontarians through the use and development of the province's biological assets in a sustainable manner.

We noted that the Ministry has undertaken a number of activities to help conserve biodiversity in the province, including:

- enactment of the *Endangered Species Act, 2007*;
- regulation of new protected areas, such as provincial parks and conservation reserves;
- working with local partners to focus their voluntary efforts on conserving and restoring natural areas;
- development of a new ecological framework for managing recreational fisheries; and
- stocking rivers and lakes to restore native fish species.

Sufficient time has passed since the province signed the biodiversity agreement in 1996 for the Ministry to move forward with comprehensive plans to conserve biodiversity. Although, as noted

above, a number of activities have been initiated, further progress is required to meet the commitments for 2010 under the *Canadian Biodiversity Strategy*. Progress is required as follows:

- The Ministry had not incorporated its many initiatives into a detailed and comprehensive plan, nor had it laid out the time frames necessary to ensure that it will meet its commitments. While informal work plans are being used, the Ministry has not determined how well these plans are meeting the timelines to achieve the *Canadian Biodiversity Strategy's* goals.
- The Ministry had not yet completed efforts to define biodiversity outcomes and indicators for measuring progress toward those outcomes. In this regard, we noted that other Canadian jurisdictions, such as Quebec and Saskatchewan, had developed performance measures and indicators to supplement their action plans, including monitoring and reporting systems to determine progress in meeting their commitments under the *Canadian Biodiversity Strategy*.
- During the 2006/07 fiscal year, \$4.2 million was reallocated to biodiversity funding. While these are direct operating funds for biodiversity, other Ministry programs carry out work that complements biodiversity goals. We were advised that existing staff doing similar work in other program areas were simply transferred into the biodiversity section with little real increase in resources devoted to biodiversity initiatives. As a result, Ministry staff are struggling to meet the goals and commitments of the *Canadian Biodiversity Strategy*.
- The Ministry has state-of-the-resources reporting documents for some program areas and for some species in local areas. However, there were no comprehensive fish and wildlife state-of-the-resources reports on a province-wide basis. In addition, we

noted a need for increased co-ordination of biodiversity efforts within the Ministry and with external stakeholders to ensure that the appropriate information is collected. This lack of information limits the Ministry's ability to help conserve biodiversity and to track and report its progress in this regard.

## RECOMMENDATION 1

To better ensure that Ontario can meet its commitments under the *Canadian Biodiversity Strategy*, which was adopted by the province in 1996, the Ministry of Natural Resources should:

- develop a comprehensive plan for implementing its biodiversity strategy, along with appropriate time frames;
- review the adequacy of resources devoted to biodiversity;
- clearly define biodiversity outcomes and performance indicators to measure progress; and
- prepare a comprehensive report on the overall state of biodiversity in the province.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 2, 3, and 4. We reproduce it following Recommendation 4.

### Habitat Protection

Habitat is the area where plants, animals, fish, and other organisms live and find food, water, shelter, and the space needed to sustain their populations. Specific habitats of concern may include areas where species concentrate at a vulnerable point in their life cycle, and those of temporary importance to migratory species. Healthy fish and wildlife habitats enhance ecological balance and preserve biodiversity.

The Ministry has identified loss or degradation of habitat as the single biggest cause of wildlife species extinction in the province. The Ministry determined that this is a particularly serious problem in southern Ontario, where urbanization, agriculture, and road density greatly affect some of the province's rarest species. In Northern Ontario, resource extraction, hydroelectric power development, and associated roads and bridges can affect biodiversity through habitat changes and degradation of local bodies of water.

The Ministry works with a number of community partners, including local stewardship councils it has established, to help protect and restore habitats by involving landowners, private companies, and volunteers to develop environmental priorities for their specific areas. In addition, the Ministry has expanded the Ontario Parks System and protected areas to help prevent habitat loss and fragmentation. While approximately 70% of southern Ontario's original wetlands have been lost, the Ministry and its community partners have managed to preserve some wetlands from further degradation, keeping them viable for the wildlife species that rely on them.

In 2000, the Ministry issued the *Significant Wildlife Habitat Technical Guide* to help identify, evaluate, and rank significant wildlife habitat. In addition, the Ministry's draft Ecological Framework for Recreational Fisheries Management provides direction to staff with respect to the Ministry's responsibility to ensure the health of fish populations and restore degraded habitats that support fish populations and fisheries. Fish are important indicators of environmental change; when the health of aquatic ecosystems declines, fish populations suffer immediately, providing an early warning about environmental degradation leading to biodiversity loss. We noted that while community partners have identified some habitats as critical, the Ministry does not have a comprehensive inventory of these habitats critical to the sustainability



or recovery of fish and wildlife resources. By identifying critical fish and wildlife habitats, the Ministry would be better able to categorize ecosystems, prioritize areas of concern, and develop management plans to protect them.

## RECOMMENDATION 2

To help protect fish and wildlife habitats from further loss, alteration, and fragmentation and to preserve biodiversity, the Ministry of Natural Resources should identify the key habitats that are critical to the continued sustainability of native species and prepare timelines for the development of management plans to protect those habitats.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 2, 3, and 4. We reproduce it following Recommendation 4.

## Species at Risk of Extinction in Ontario

Ontario is home to hundreds of vertebrate species, including more than 80 different mammals, 470 species of birds, 60 reptile and amphibian species, 160 species of fish, and more than 20,000 species of invertebrates such as insects and spiders. There are more than 3,380 species of plants, 1,000 species of fungi and algae, and hundreds of lichens and mosses. Even with this wealth of diversity, however, more species become endangered each year, often as a result of increased human activity. The Ministry provides annual funding of about \$2 million for species at risk to support protection programs and co-ordinate recovery and research projects with various stakeholders. At the time of our audit, there were 182 species at risk in the province. Figure 1 defines the Ministry's classifications for species at risk and indicates the number

of species in each classification. Figure 2 identifies the classification and status of some of the species at risk.

At the time of our audit, the Ministry was still subject to the requirements of the *Endangered Species Act, 1971* for the conservation, protection, restoration, and propagation of species threatened with extinction in Ontario. In May 2007, the Ontario Legislature enacted the *Endangered Species Act, 2007 (Act)* to replace the existing legislation. The new Act will come into force no later than June 30, 2008. Its objectives are to:

- identify species at risk on the basis of the best available scientific information, including information obtained from communities and traditional aboriginal knowledge;
- protect the at-risk species and their habitats; and
- promote activities to assist in the recovery of these species.

The new Act strengthens the Committee on the Status of Species at Risk in Ontario, which is to be made up of persons with relevant scientific

**Figure 1: Ministry Classifications for Species at Risk**

Source of data: Ministry of Natural Resources

Ministry Classification	Definition	# of Species
extinct	no longer exists anywhere	6
extirpated	no longer exists in Ontario	10
endangered – regulated (protected by legislation)	facing imminent extinction or extirpation	42
endangered – not regulated (no legislative protection)	facing imminent extinction or extirpation	33
threatened	at risk of becoming endangered	46
special concern	vulnerable to human activity or natural events	45
<b>Total</b>		<b>182</b>



**Figure 2: Classification and Status of Selected Species at Risk**

Source of data: Ministry of Natural Resources

Species at Risk	Ministry Classification	Status in Ontario
drooping trillium	endangered, regulated	found at 2 sites
golden eagle	endangered, regulated	only 6 nesting pairs left
Karner blue butterfly	endangered, regulated	zero, thought to be extirpated
northern cricket frog	endangered, regulated	zero, thought to be extirpated
red mulberry tree	endangered, regulated	found at 10 sites
badger	endangered, not regulated	only 200 left
barn owl	endangered, not regulated	zero, thought to be extirpated
butternut tree	endangered, not regulated	one-third killed by disease since 1991
northern bob white	endangered, not regulated	fewer than 1,000 left
Pritcher's thistle	endangered, not regulated	found at 4 sites
massasauga rattler	threatened	only 350 left
wolverine	threatened	population estimated to be only in the hundreds
monarch butterfly	special concern	population in decline
red-headed woodpecker	special concern	population decreased by two-thirds in last 10 years

expertise or aboriginal traditional knowledge. The committee's functions will include the identification, assessment, and classification of species at risk. Despite the new legislation, we continue to have concerns with respect to the Ministry's species-at-risk program.

In our 2002 audit of the Ontario Parks Program, responsible at the time for species at risk, we recommended that the Ministry develop an overall strategy to provide for the conservation, protection, restoration, and propagation of species at risk. Sufficient time has passed for the Ministry to have developed such a strategy, and although a draft Species at Risk Strategy for Ontario has been prepared, it has not been approved or put in place. Ministry staff informed us that, with the passage of the new legislation and the ongoing development of the National Policy Framework for Species at Risk, the final strategy should be in place by the end of the 2007/08 fiscal year.

Ministry policy requires that recovery plans be developed to identify ways to manage and improve the status of a species designated as threatened or endangered by halting or reversing its decline,

and by reducing the threats to its survival. As of February 2007, the Ministry had 120 recovery strategies in various stages of development and review for the endangered and threatened categories. Only 22 of these recovery strategies, covering 28 species, were finalized and approved by the Ministry, but even these were awaiting feedback, either in response to public posting on the Environmental Registry or from the national Species-at-Risk Registry. We also noted that recovery strategies had been completed for only two of the 42 regulated endangered species. There is a need to complete these recovery strategies on a more timely basis because some species are already in imminent danger of extirpation (meaning they no longer exist in Ontario) or extinction (meaning they no longer exist anywhere). For example, there are thought to be only six nesting pairs of golden eagles left in Ontario.

Without specific recovery plans in place, it is difficult for the Ministry to effectively manage species at risk to ensure both their continued existence within the province and their future sustainability. Six species that during our 2002 audit had

been designated as “threatened” or “vulnerable,” equivalent today to “special concern,” have further deteriorated and moved onto the endangered list. These include two types of fish, two species of turtle, a salamander, and a plant. Without effective management and monitoring by the Ministry, these species face further decline—and even the possibility of extinction in Ontario—clear indicators of the decline of biodiversity.

Some conservation efforts and recovery plans have had positive effects on species at risk. For example, the combined efforts of the Ministry, the federal government, and community partners have brought the peregrine falcon back from the brink of extinction in the province. The species has been upgraded from “endangered” to “threatened,” offering a good example of what can be accomplished when a proper recovery plan is in place and implemented.

### RECOMMENDATION 3

To more proactively manage species at risk and help sustain and increase endangered populations, the Ministry of Natural Resources should:

- finalize and put into place its Species at Risk Strategy for Ontario; and
- prepare and implement a recovery plan with related time frames for necessary actions for each of the species listed in Ontario as endangered or threatened.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 2, 3, and 4. We reproduce it following Recommendation 4.

## Invasive Species

There are over 1,000 invasive species in Ontario that have been accidentally or deliberately introduced

into habitats outside their normal living range. Some notable examples of invasive species are the sea lamprey, zebra mussel, round goby, rusty crayfish, spiny and fishhook water fleas, purple loosestrife, Asian long-horned beetle, and emerald ash borer. Invasive species originate on other continents, in adjacent countries, or in other ecosystems within Canada, and they often have no natural predators in Ontario. As a result, many reproduce quickly and infest, damage, displace, or destroy native species, ecosystems, agricultural crops, wetlands, lakes, or rivers. Consequently, invasive species can significantly impair biodiversity. The Ministry has determined that, once established, invasive species cannot be easily eradicated. Control measures are usually expensive and may be harmful to the environment.

While experts say prevention is the best response to invasive species, we noted that the Ministry’s approach is often reactive, with few specific plans to identify, prevent, control, or eradicate invasive species before they severely damage native species or force restoration costs to rise dramatically. The Ministry has taken action to monitor and control the further spread of identified invasive species. For example, it has worked with community partners and set up public-education campaigns, such as the Invading Species Awareness Program, to help prevent the further spread of invasive fish species to inland lakes. However, the Ministry generally has limited scientific knowledge of the long-term impacts and the action plans necessary to contain or eradicate these species.

Scientists have determined that ballast water from ocean-going ships accounts for 75% of the invasive aquatic species that have entered the Great Lakes since 1970. In this regard, the Ministry has worked with other jurisdictions and agencies, especially the federal government, on prevention initiatives. An attempt was made by the federal government, supported by Ontario, to require all ships entering the St. Lawrence River and ultimately

the Great Lakes to flush out their ballast tanks with salt water at least 200 miles off the shores of Canada. Draft regulations to this effect were prepared by Canada under the *Canada Shipping Act*. However, after public consultation, the final regulations enacted in June 2006 did not make this procedure mandatory. As a result, ocean-going ships that flush their ballast waters inland continue to pose a significant threat to the Great Lakes basin. For example, scientists reported in January 2007 that a new invasive species in Lake Ontario called the bloody red mysid was believed to have arrived in the ballast tanks of ocean-going ships. This species is in the shrimp family, and specialists say it has the potential to severely affect the lake's food chain. The introduction and spread of invasive species in this manner continue to affect the biodiversity of the Great Lakes basin.

#### RECOMMENDATION 4

To help protect Ontario's native fish and wildlife populations, habitats, and overall biodiversity, the Ministry of Natural Resources should:

- address knowledge gaps regarding the long-term effects of existing invasive species on biodiversity;
- develop action plans that set priorities for the prevention, monitoring, and eradication of invasive species based on assessments of the risks posed by invasive species;
- evaluate and report on the effectiveness of measures taken through these action plans; and
- continue to work with the federal government to enact more stringent regulations with respect to flushing ballast tanks of ocean-going vessels before they enter Canadian waters to prevent the introduction of destructive invasive species.

#### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 2, 3, and 4, as follows.

The Ministry acknowledges the significance of an integrated implementation plan for Ontario's Biodiversity Strategy that includes high-level outcomes and performance indicators and will ensure its timely completion. Along with an interim report in 2007, Ontario will prepare its first formal *State of Biodiversity Report* in 2010, which will be prepared every five years thereafter. This report will include biodiversity reporting standards and benchmarks, as well as an outline of biodiversity challenges, risks, threats, and opportunities.

Currently, the Ministry tracks the location, condition, and distribution of all species potentially at risk and seeks to assign conservation status rankings to those species. The Ministry will review processes to inventory and assess the natural-heritage features that support a wide range of species and the key ecological-community habitats that will be necessary to protect against habitat loss.

The Ministry's draft Species at Risk Strategy for Ontario has now been incorporated into Ontario's Biodiversity Strategy and the new *Endangered Species Act, 2007*. The new Act will require the development of recovery strategies for all future and currently listed endangered and threatened species within specific time frames.

The Ministry will endeavour to develop more effective measures to help prevent, monitor, and eradicate invasive species. In this regard, the Ministry will work co-operatively with its community partners to assess the risks posed by invasive species, monitor several pathways of introduction, and refine the techniques used in its risk assessments. In addition, the Ministry will encourage the federal government to work

with the United States to conduct joint compliance monitoring inspections of all incoming vessels and to harmonize U.S. ballast regulations with those of Canada.

## WILDLIFE MANAGEMENT

One of the Ministry's goals for the management of wildlife species is to provide continuous social, cultural, and economic benefit for the people of Ontario. Moose, deer, and bear are the most commercially important big-game species—and the ones most vulnerable to overharvesting. In addition, while the forest-dwelling woodland caribou is not hunted in Ontario, it has become a species of concern and is classified as threatened in this province. Consequently, the Ministry devotes a significant part of its wildlife management efforts to these four species. Each requires specific management policies, population-management techniques, habitat protection, and harvest-data management. The Ministry has divided the province into areas called wildlife management units to monitor species populations, set hunting seasons, and allocate tags giving hunters the right to harvest game.

The Ministry's primary management method for the deer and moose populations is harvest control through the issue of a limited number of hunting tags; if fewer tags are available, fewer animals will be killed. The Ministry controls the total number of tags for hunting adult moose and antlerless deer (does and fawns). In addition, the Ministry limits the number of licences granted to hunt deer in specified areas of southern Ontario.

While the focus of the Ministry's wildlife management effort is related mainly to moose, deer, and bear, it also monitors fur-bearing animals, other game mammals, game birds, reptiles, amphibians, and waterfowl populations, along with vulnerable, threatened, and endangered species.

To help in the development of management plans and to assess the sustainability of each species, wildlife managers use information on species population size, birth and mortality rates, age and gender ratios, habitat quality, interactions between wildlife species, and encounters with human populations. According to the Ministry, there is a need to maintain a balance between the sustainability of wildlife populations and the economic benefits to local communities generated by hunting.

### Moose Management

Management practices for moose focus on the creation and maintenance of hunting opportunities through habitat and population management. In this regard, the provincial moose policy has been in place since 1980, when specific provincial moose population and harvest targets were established for what came to be known as the huntable moose population—those animals outside parks and other protected areas. The program targets established in 1980 called for a huntable moose population of 160,000 animals by 2000. When this policy expired in 2000, the Ministry did not develop an updated plan. Instead, the Ministry revised its moose population objective for each wildlife management unit to reflect the carrying capacity of the habitat to support moose, historical population densities, and socio-economic considerations, such as the economic spin-offs from hunting. Within these objectives, the Ministry has determined that the desired province-wide moose population would be 123,000.

The Ministry's Standards and Guidelines for Moose Population Inventory in Ontario requires annual aerial surveys of management units in the core moose range, with a goal of surveying the entire territory every three years. These surveys estimate moose population size and trends, and help determine the age and gender composition of herds. Information from aerial inventories is used

to determine the optimal number of hunting tags each management unit should issue to ensure a sustainable moose population. Thus, it is important that information be as current as possible.

We reviewed the Ministry's moose aerial inventory records from 1975 to 2006 and noted that, of the 80 management units that conducted aerial inventories during this period, 21, including eight in the core moose range, had done no aerial inventory for at least five years. Eight had done no aerial inventories for at least 10 to 20 years.

The huntable moose population is used by the local district offices to determine how many hunting tags will be issued. Of the 68 management units that calculate harvest quotas and tag allocation using the Ministry's moose harvest system, we noted that 41, or about 60%, have a huntable population greater than their total estimated population. For example, in one management unit, the estimated population was 3,904 while the huntable population was 4,672. In another, the estimated population was 1,827 while the huntable population was 2,392. Consequently, more tags were issued than recommended in the harvest guidelines, which could threaten the sustainability of the population in these management units. We made a similar observation in our 1998 audit, but the number of units where the huntable population was higher than the estimated population has actually increased since then.

We had concerns that the harvest quota, the number of hunting tags issued, and moose population trends for some management units are not being managed for sustainability. We reviewed 12 management units within the core moose range and found that eight of them had estimated moose populations below the target population. In one management unit, for example, the target population was 4,050 while the estimated population was 643. In another, the target population was 4,035 while the estimated population was 1,927. In these cases, as well as others where actual numbers were

below population targets, hunting tags generally reflected the fluctuations in the moose populations, but were not further adjusted to allow the moose herds to regenerate and achieve the target populations in those units. Head office oversight and approval may be required to ensure maintenance of a proper balance between sustainability of the moose population and economic spin-offs generated by hunting.

The number of moose tags available in a wildlife management unit should be related to the number of moose that Ministry biologists calculate can be sustainably harvested. Because the number of Ontarians wishing to hunt moose is greater than the number of tags available, tags are allocated through a computerized draw, giving preference to those who choose to hunt in groups. In addition to this draw, 5% of the adult moose tags in wildlife management units north of the French and Mattawa Rivers are held back from the regular draw and allocated to a second draw open only to residents of Northern Ontario. Our review of the tag draw system indicated that it was operating fairly, with each hunter having the same opportunity to obtain a tag. However, as noted above, there needs to be more current information from aerial inventories to determine the proper number of hunting tags to issue each year to maintain a sustainable moose population and achieve the Ministry's current target population.

Since 2000, an estimated 9,600 moose have been harvested annually. According to the Ministry's moose harvest plans, the current huntable moose population is estimated at 93,000, significantly less than the current target of 123,000 moose established in 2000 and less than the population of 100,000 moose at the time of our last audit in 1998.

The current selective harvest system controls the hunting of adult moose and allows for the harvest of calf moose. This system generally works well in managing moose populations at times of low to



moderate hunting effort. At times of high hunting effort, however, unrestricted calf harvests can create a need to reduce the overall harvest to ensure that an adequate number of calves survive into adulthood. Wildlife biologists use the number of calves per 100 cows (female moose) as a measure of the health of the moose population. For the same 12 management units within the core moose range noted above, we found that the number of calves per 100 cows has been declining in all the units since the mid-1970s. In 2004, the Ministry addressed this decline by ending the policy of providing calf tags on demand in four management units, none of which is in the core moose range. Instead, hunters in these units must now enter draws to win calf tags. The unrestricted issuing of calf tags may have contributed to the inability to meet the population targets in the 12 management units noted above. Consequently, the Ministry needs to review its management practices to ensure that they are adequate to manage the sustainability of Ontario's moose population.

### RECOMMENDATION 5

To assist in maintaining the proper balance between keeping moose population levels sustainable and providing a reasonable level of hunting opportunities, the Ministry of Natural Resources should:

- develop and implement a moose management policy designed to achieve the overall target moose population;
- carry out population inventory assessments more frequently to more accurately determine the current moose population;
- ensure that the huntable moose population used to determine the number of hunting tags issued does not exceed the estimated actual population;
- more severely restrict hunting in management units where the actual number of

moose is significantly below target population levels; and

- implement tighter requirements for calf tags in all management units with low calf populations.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 5, 6, 7, and 8. We reproduce it following Recommendation 8.

### Deer Management

Management practices for deer include balancing increasing demands from hunters with the rising incidence of human/deer conflicts and concerns over the spread of disease. One hundred of the 150 wildlife management units in Ontario manage deer; across the province, the average deer harvest between 2000 and 2005 was 82,000 a year. The Ministry estimates the current size of the provincial herd at 400,000.

The Ministry does not have an approved deer management policy; staff informed us that a 1991 draft policy is generally still being used. The Ministry also has a number of guidance documents with respect to deer such as the *Forest Management Guidelines for the Provision of White-Tailed Deer Habitat* and a draft Decision Support Tool for the Ecological Management of Cervids in Ontario. (Cervids are antlered grazing animals such as deer, elk, moose, and caribou.) In our 1998 audit of the program, we also reported that there was no approved deer management policy in place. During our follow-up of that audit in 2000, the Ministry indicated that it was in the process of completing a deer hunt review to identify areas where the animal population can support an increased harvest. This review was intended to facilitate development of a formal deer-management policy, but neither the review nor the formal policy has been completed.



The Ministry does not carry out aerial surveys of the deer population because the animals inhabit heavily wooded areas not easily visible from the air. Instead, it calculates allowable harvest levels by considering past harvest levels, hunter surveys, and indirect deer population indicators such as deer/vehicle collisions, nuisance deer complaints, the capacity of the habitat to produce and sustain deer, and the effects of severe winters on deer survival. These trend indicators are among the data used in the deer-harvest decision support system to assess the effectiveness of the previous year's harvest, and to set quotas for the current year. District biologists told us that, while the system is generally useful in planning the tag allocation for each management unit, it is difficult to use and its output is often difficult to understand. In addition, many biologists in Northern Ontario use the system as a guide only, relying instead on information such as deer sightings by hunters and harvest success rates to determine population levels and the allocation of hunting tags.

The Ministry mails a survey to deer hunters to collect information, such as harvest success, but, owing to low response rates and the variability of the indirect deer population indicators noted above, the Ministry has limited and incomplete information at the management unit level to properly manage deer.

There has been a general increase in the overall deer population to a point where an overabundance in some management units has exceeded the carrying capacity of the habitat. If the population grows faster than the food resources, the habitat can no longer sustain the animals. Generally, densities of 25 or more deer per square kilometre exceed the carrying capacity of the average habitat. However, we noted that some provincial parks have densities of 25 to 30 deer per square kilometre, and one area of Middlesex County has a density exceeding 100 deer per square kilometre.

An overabundant deer population can have a detrimental effect on biodiversity, species at risk, forest regeneration, sensitive ecological areas, and habitats of other wildlife species. It can also increase the risk of human injury or death in vehicle collisions. According to Ontario Road Safety Annual Reports, in recent years there has been a 95% increase in the number of motor vehicle collisions with wildlife (frequently deer)—from 7,000 in 1993 to 13,700 in 2004. Over the past few years, the Ministry has implemented a number of initiatives to deal with the increasing deer population, including a draft Strategy for Preventing and Managing Human/Deer Conflicts in Southern Ontario. However, the Ministry needs to develop a plan to manage the abundant deer population.

According to the Ministry, areas with high deer densities have an increased risk of exposure to transmittable diseases and parasites such as chronic wasting disease (CWD) and brainworm. Deer and elk are susceptible to CWD, a fatal neurological disease. Even though the Canadian Food Inspection Agency (CFIA) has indicated that there is currently no scientific evidence that CWD affects humans, and there is no evidence that Ontario deer are infected, the Ministry nevertheless developed and released the Ontario Chronic Wasting Disease Emergency Response and Surveillance Plan in 2005.

Brainworm is a parasite that lives harmlessly in deer. However, when deer share a habitat with moose, elk, or caribou, the parasite can be transmitted to the other animals and cause severe neurological damage and death. Current scientific evidence indicates that there is no public health concern for the human consumption of animals infected by brainworm. Ministry biologists told us that the growing deer populations are moving into traditional moose ranges. In studies of deer within the moose range in 2000 and 2005, the Ministry determined that 30% to 60% of the deer tested were infected with brainworm. Because moose

populations are already below target in a number of management units, the increased risk of brainworm could lead to further reductions in the moose population. The Ministry has no surveillance program for brainworm similar to the CWD program and it collects very little information about the rate of moose mortality due to brainworm infection. In this regard, we noted that another jurisdiction is trying to develop a suitable test of blood-serum samples taken from moose to determine if they have been exposed to brainworm.

## RECOMMENDATION 6

To assist in maintaining a healthy deer population and controlling the spread of disease to more vulnerable animals, such as moose, the Ministry of Natural Resources should:

- complete a deer management policy to provide strategic direction for managing the increasing deer populations;
- review its Ontario Deer Harvest Decision Support System to ensure that it provides biologists with appropriate, complete, and current information to set hunting quotas; and
- work with other jurisdictions to develop better detection and monitoring strategies for infectious diseases.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 5, 6, 7, and 8. We reproduce it following Recommendation 8.

### Black Bear Management

Management practices for black bear focus on protecting the habitat and maintaining the population at a sustainable level to provide for continued hunting opportunities and the related economic benefits

for the province. The current population of black bears is estimated at 75,000 to 100,000, with an estimated annual harvest of 5,400 animals. While some areas of the province have an abundance of black bears—to the point of being a nuisance—we noted that the Ministry had incomplete information regarding black bear harvests, which could lead to decisions that do not support sustainability in all areas of the province.

The Ministry has a provincial bear policy, dated September 1990, but does not set quotas or restrict licences for bear hunting. Instead, it uses sustainability guidelines based on indicators of estimated bear population density, total annual harvest, and the percentage of total females and adult females in previous harvests to determine the maximum harvest. Using these guidelines, the average harvest should not exceed one bear for every 50 square kilometres in the north and one bear for every 25 kilometres in central Ontario. In addition, the Ministry indicated that black bear populations are sensitive to overharvesting because of such life-cycle characteristics as late maturity and alternate-year reproduction. Because bear population sustainability is most affected by mortality and survival rates of adult females, the guidelines limit the killing of adult females to 20% of the total harvest.

To help reduce female bear and cub mortality, in 1999 the Ministry permanently cancelled bear hunting in the spring season. However, despite the cancellation of the spring bear hunt, according to bear harvest data available between 1987 and 2004 we found that there is a risk that bear populations in some areas may not be maintained at sustainable levels. Of the 76 wildlife management units where bear harvest data were available, we noted instances every year where some management units exceeded the allowable harvest of adult female bears. For instance, in 15 of the 18 years, at least 10 management units exceeded the harvest guidelines. In addition, the main source of the harvest information collected by the Ministry is a

provincial mail-in survey that is to be completed by all bear hunters. We noted that from 2000 to 2004, the response rate to the survey averaged less than 50%. In 2005, the Ministry made the survey mandatory and sent reminder notices to Ontario-resident bear hunters. Although the response rate increased to 60%, the count of harvest years that exceeded the sustainability guidelines noted above was still based on incomplete information. If all mail-in surveys had been returned, they might have indicated a harvest higher than previously noted. Exceeding the harvest guidelines for adult female bears is likely to have a detrimental effect on the overall sustainability of the bear population.

Although tourist outfitters operating bear management areas are assigned a bear harvest level based on the sustainability guidelines, the Ministry did not take proper corrective action when the guidelines were exceeded. At the districts we visited, numerous operators harvested bears from 2001 to 2006 in excess of the established sustainability guidelines. We noted that the Ministry had informal discussions with these operators, but there was little improvement; the same operators continue to harvest more bears each year than allowed. For example, one operator with a maximum quota of 14 bears a year consistently harvested more—up to 28 animals in one year.

## RECOMMENDATION 7

To ensure that black bear populations are maintained at sustainable levels in all areas of the province, the Ministry of Natural Resources should:

- consider sanctions against bear hunters who fail to respond to the mandatory provincial mail-in surveys, which are needed to obtain accurate data to use in setting sustainability guidelines; and
- take corrective action against tourist outfitters who continually exceed the sustainability guidelines for the maximum bear harvest.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 5, 6, 7, and 8. We reproduce it following Recommendation 8.

### Forest-dwelling Woodland Caribou

Management practices for the forest-dwelling woodland caribou focus on the recovery of this threatened species. Approximately 5,000 woodland caribou roam Ontario's northern boreal forest region. Over the last century, the range of the woodland caribou has been receding northward, shrinking at a rate of approximately 35,000 square kilometres per decade and resulting in a declining population. The retreating range for woodland caribou is largely due to habitat change.

In February 2005, the Ministry addressed these concerns with a draft Recovery Strategy for Forest Dwelling Woodland Caribou in Ontario. The goal of the recovery strategy is to maintain self-sustaining populations where they currently exist, ensure security for isolated populations, and re-establish the herd in strategically selected habitat areas. To meet this goal, the Ministry developed 11 recovery objectives, including:

- establishment of benchmarks for caribou range occupancy and population health;
- development of a caribou range occupancy database;
- reduction of known threats; and
- identification, protection, and management of essential habitat.

At the completion of our audit, the recovery strategy was still at the draft stage and the Ministry still needed to obtain information about caribou habitat requirements, predation (natural predators), response to development activities, encroachment by other species into caribou habitat, and the effects of disease. Biologists say that if the recovery

strategy is not implemented on a timely basis, there is a risk that the woodland caribou population and its critical habitat could further deteriorate, resulting in a more serious classification on the list of species at risk in Ontario, such as endangered or extirpated.

## RECOMMENDATION 8

To help protect the threatened forest-dwelling woodland caribou from further deterioration, the Ministry of Natural Resources should gather the necessary information to finalize and implement its recovery strategy on a timely basis.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 5, 6, 7, and 8, as follows.

Ministry policies relating to the management of moose, deer, and black bear will continue to be responsive to environmental and societal changes as the Ministry implements landscape ecological management approaches for these species. The Ministry will provide enhanced policy direction for the sustainability of wildlife populations and habitat management. In addition, the Ministry will further review provincial and local wildlife population and habitat objectives, decision support tools, and monitoring and assessment programs.

The Ministry will continue to work with the Canadian Cooperative Wildlife Health Centre and others to identify wildlife-disease monitoring and surveillance priorities, and the Ministry will continue to contribute to or lead in the surveillance, monitoring, and management of the current wildlife-disease priorities, which are chronic wasting disease, avian influenza, West Nile virus, and tuberculosis.

The government intends to regulate the protection of caribou habitat, and the Ministry will continue to contribute to the development

and finalization of national and provincial recovery strategies for woodland caribou. The Ministry has also begun to develop a conservation framework in response to the recommendations emanating from the development of the recovery strategies.

## FISHERIES MANAGEMENT

The Ministry is responsible for developing fisheries legislation, policies, programs, and guidelines for population assessments. It also manages fish habitats and monitors fish stocks across the province for both recreational and commercial fishing. Recreational fishing is estimated to contribute more than \$2.3 billion annually to the provincial economy, while the processed value of the commercial fishery is more than \$200 million a year.

Ontario manages 148 fish species in the four Great Lakes that border the province and in more than 250,000 inland lakes. In 1992, the Ministry issued a *Strategic Plan for Ontario Fisheries*, a blueprint for provincial fisheries management. The plan aims to help protect healthy aquatic ecosystems and rehabilitate those that have deteriorated.

### Commercial Fisheries Management

Most commercial fishing activity takes place in the Great Lakes, with Lake Erie being the largest fishery. There is a limit to the natural productive capacity of aquatic ecosystems and thus a limit to the amount of fish that can be sustainably harvested. Therefore, to manage the commercial fisheries, the Ministry works with American federal and state agencies in sharing the fish resource pursuant to the Joint Strategic Plan for Management of Great Lakes Fisheries. On the basis of the total allowable catch (the amount of fish that can be harvested without affecting the sustainability of the fish

stock), the Ministry then sets the commercial fishing quotas by species for each commercial licence.

Each year, both Ontario and the United States carry out lake assessments to determine the fish population and the ability of species to reproduce. These assessments are then used to adjust fishing quotas to achieve a sustainable fishery. We noted that the Ministry has adjusted its quotas from year to year as a result of these assessments to allow for an annual fish harvest that would help ensure the sustainability of future fish stocks.

Harvests in excess of the total allowable catch pose an increased risk to the sustainability of fish stocks. The Ministry's management of commercial fisheries generally promoted the sustainability of commercial fish stocks. However, we noted a number of significant exceptions where there is a need for better monitoring and enforcement. For example:

- In two fish-management zones on Lake Superior, unlicensed fishing by a native band resulted in a total harvest that greatly exceeded the quotas set for these zones. For example, the quota set for whitefish, which is the most commercially harvested fish, was exceeded by 275%.

In 1984, the band challenged the Ministry's right to impose licensing requirements for commercial fishing. The courts ruled that Ontario's commercial fishing licence requirement serves a valid conservation purpose and constitutes a reasonable limitation on the band's right to fish. However, the Ministry has not enforced the Act and overharvesting in these fish-management zones continues.

- Licensed commercial fishing operations consistently harvested more than the quota in two fish-management zones on Lake Huron. The harvest between 2003 and 2006 totalled 211,501 kilograms—260% more than the quota. In this case, the Ministry stated that although quotas were out of date, it did not

have enough science-based information regarding stocks of lake trout to make formal adjustments to the quota. However, without sufficient information, such extensive overharvesting may lead to an unsustainable fishery.

In most forms of commercial fishing, the harvest will include unintended catches of fish and other aquatic life, called the bycatch. Often, this bycatch is discarded into the water, a practice generally regarded as wasteful and potentially hazardous for aquatic ecosystems over time. The Ministry does not have a bycatch policy or procedures for estimating the bycatch. Consequently, it is difficult to determine the total catch for each species to ensure that species are properly managed. We noted that another jurisdiction, Australia, had a bycatch policy to help enhance fisheries productivity and maintain the integrity of the aquatic ecosystems. This policy included strategies and procedures to reduce the bycatch, improve the protection of vulnerable species, and gather scientific information to determine the ecological impacts of the bycatch.

## RECOMMENDATION 9

To further protect commercial fisheries and fish stocks, the Ministry of Natural Resources should:

- take appropriate enforcement action when the number of fish harvested is above the quotas set for sustainability; and
- consider developing a bycatch policy to help reduce the ecological impact on aquatic ecosystems and sustainability of the bycatch species.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 9, 10, and 11. We reproduce it following Recommendation 11.



## Recreational Fisheries Management

District offices are responsible for managing fish resources in their areas. In the late 1980s, district offices prepared Fisheries Management Plans, which expired in 2000. These plans included the long-term strategic direction of the fishery resource, potential fish harvest yields, limits by species, resource use over time, management strategies, and an implementation plan. After the plans expired, the Ministry determined that management objectives and associated management actions for these plans may no longer reflect current science, governmental direction, or issues facing the fish resources. However, the Ministry did not update or develop new fisheries-management plans using current scientific and fisheries information. In addition, the expired plans were not reviewed or evaluated to determine if the objectives and targets were achieved, or whether the management actions and strategies were effective.

We noted that, since 2000, district offices have generally managed fisheries based on their own local issues and priorities. Consequently, we noted at the districts we visited that fisheries-management strategies were developed as an interim measure to provide an approach to fisheries-management activities in the districts. These strategies generally outlined the fisheries' management needs, the desired outcomes, and the management actions necessary to achieve the outcomes. However, putting formal plans in place is a critical first step to ensure that fragile fish resources are protected and sustained. Such plans would also enable the Ministry to measure the success of actions taken to protect the province's fish resources and ecosystems. The absence of formal fisheries-management plans can result in inconsistent or detrimental decision-making.

When the district fisheries-management plans expired in 2000, a working group identified the need to develop a monitoring program to specifically measure the health of aquatic resources. Such monitoring would determine whether the

Ministry was managing the resources for ecological sustainability across the province. In 2004, the Ministry announced a draft Ecological Framework for Recreational Fisheries Management (for inland fisheries) that would help the Ministry monitor fisheries resources. The framework provides the building blocks for implementing the *Strategic Plan for Ontario Fisheries*. Under the framework, the Ministry intends to manage fish resources using a landscape rather than a lake-by-lake approach, and to develop new fisheries-management zones based on biological, climatic, and social factors. The Ministry also intends to develop regulatory tools for different sport-fishing species, establish broad zone standards to help ensure that regulations are based on sound science, monitor fisheries in a standardized manner to aid in state-of-the-resources reporting, and enhance the public's involvement through stewardship councils. The Ministry indicated that this framework would provide a monitoring tool to help it determine the necessary conservation measures, provide information about the health of aquatic ecosystems, and report on ecological sustainability and biodiversity.

At the completion of our audit, however, many of the framework fundamentals still had to be finalized and public consultation was still continuing. In addition, the Ministry did not have a time frame for implementing the framework, but informed us that implementation of the fisheries-management zones will be phased in. Meanwhile, the Ministry was carrying out a pilot project at three districts to implement the new fisheries-management zones and other aspects of the framework. The other districts were still managing fisheries on the basis of local priorities.

### RECOMMENDATION 10

To help ensure that recreational fisheries continue to be managed in a sustainable manner, the Ministry of Natural Resources



should develop formal fisheries-management plans, along with appropriate time frames for implementation.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 9, 10, and 11. We reproduce it following Recommendation 11.

## Fish Stocking Program

The stocking of hatchery-reared fish is a major component of the Ministry's Fisheries Management Program. As such, one of the Ministry's objectives for fisheries is to provide ecological, social, and economic benefits to the province, and to help achieve the Ministry's priorities, including biodiversity, by rehabilitating and protecting the province's fisheries and genetic stock while maintaining and enhancing angling opportunities.

To help achieve its objective, the Ministry operates 10 fish hatcheries that produce 11 species of fish and maintain 17 hatchery-resident broodstocks (fish kept for breeding). The average number of fish stocked by the Ministry across the province each year has been approximately 8.5 million. The fish produced at the hatcheries are stocked in four of the Great Lakes and in more than 1,000 inland lakes and streams.

Each year, ministry staff determine the number and species of fish to be stocked, and which lakes will receive them. Approximately half the stocking is designed to rehabilitate existing fish populations in order to help species reproduce naturally. The other half supports hatchery-dependent fisheries to provide enhanced recreational angling opportunities where naturally reproducing populations are too limited or non-existent.

To protect biological diversity and maintain a healthy ecosystem, the Ministry's *Guidelines for*

*Stocking Fish in Inland Waters of Ontario* requires that no stocking be done without completing an aquatic habitat inventory, or lake survey, to ensure that the physical, chemical, and biological parameters of a body of water are suitable for the species being stocked. The guidelines also stipulate that the fish-stocking program be evaluated to ensure that its objectives are being achieved. We noted that the Ministry did not have current lake surveys, nor had it carried out enough recent post-stocking evaluations to assess the success of the program and its impact on fish stocks. For example:

- At the districts we visited, we noted that the required lake surveys had never been carried out for 88 of the 368 lakes stocked since 2001. Staff at one district informed us that some of the lakes in their area had been stocked each year for the past two decades even though they have never had a lake survey to determine the success of the annual stocking.
- Provincially, there have been 9,884 lake surveys—but more than 70% of these surveys were done prior to 1980. Ministry staff informed us that some districts may have completed more recent lake surveys, but these would be for new lakes and not for existing lakes that are stocked. Without current lake surveys, the Ministry may be stocking lakes that already have a naturally reproducing population, potentially harming these populations. We made similar comments in our 1998 audit of the program. In addition, given that the last lake surveys were done more than 20 years ago, current information is needed because many factors, such as degraded fish habitats, pollution, and the spread of invasive aquatic species, are relevant to the Ministry's stocking decisions.
- At the districts we visited, the Ministry generally lacked current information on the success of the stocking program because just 110 post-stocking evaluations were completed on the

368 lakes that were stocked. Of the completed evaluations, 54 were done prior to 2000, with 42 of these done before 1990.

In addition to the Ministry's stocking of hatchery-reared fish, a number of community partners also rear and stock fish in Ontario waters. Between 2002 and 2006, these partners stocked more than 30 million fish, or an average of 6 million a year. According to the Ministry's *Guidelines for Stocking Fish in Inland Waters of Ontario*, all fish stocked, regardless of source, must meet or exceed minimum federal fish health-and-quality standards and provincial guidelines requiring that the fish be free of any disease-causing pathogen or parasites. Although the Ministry tests the fish it stocks for disease, there is no program to test fish stocked by its community partners. Without a routine monitoring program in place to test the significant number of fish stocked by community partners, there is a risk that infectious disease could be introduced into the province's waters, adversely affecting the health and sustainability of Ontario fisheries.

### RECOMMENDATION 11

To ensure that the fish-stocking program is effective in rehabilitating fish populations and providing enhanced recreational angling opportunities, the Ministry of Natural Resources should:

- perform regular lake surveys and post-stocking evaluations to determine whether the stocking objectives are being met; and
- establish a monitoring program for testing the health and quality of fish stocked by its community partners.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 9, 10, and 11, as follows.

The Ministry endeavours to manage Ontario's recreational and commercial fisheries

using sound science to support the allocation of quotas, evaluate fish stocks, develop fisheries plans, and restore and protect fish habitats. Partners are major contributors to fisheries management. Current monitoring and assessment programs focus on high-priority areas, such as commercial harvest, rehabilitation of native stocks, and high-use recreational fisheries. Representative lakes will be monitored with more rigour, with the results used to develop the science needed to improve the Ministry's knowledge base.

Fisheries-management planning is in place for the Great Lakes and for certain high-value fisheries. Under the new Ecological Framework for Recreational Fisheries Management, the Ministry is moving toward a landscape scale of management at the level of fisheries-management zones. Objectives will be developed for each zone, and a new fisheries monitoring program will determine the health of fish stocks.

Management of fish health is a shared responsibility with the federal government, and a number of regulations are applicable to fish stocked by the Ministry's partners. The Canadian Food Inspection Agency is making regulatory amendments to the *Health of Animals Act* to improve the management of fish health.

## ENFORCING COMPLIANCE WITH LEGISLATION

The mandate of the Ministry's Enforcement Branch is to safeguard the public interest by delivering regulatory protection for Ontario's natural resources. To accomplish this, the Ministry employs approximately 250 conservation officers, who have powers of inspection, arrest, and search and seizure under various statutes, including the *Fish and Wildlife Conservation Act*, the *Migratory Birds Convention*

*Act*, and the *Fisheries Act*. Regulations under these acts control hunting and fishing by restricting harvests and designating harvest seasons. In addition, conservation officers may operate random game-check stations throughout the year, where they collect information on game taken by hunters and ensure that regulations are being followed.

During the 2006/07 fiscal year, approximately 60 conservation officers performed management functions or other office duties while about 190 of the Ministry's conservation officers worked in the field, where they generally spent about 75% of their time on fish- and wildlife-enforcement activities. These field officers are responsible for patrolling approximately one million square kilometres, or an average of more than 5,000 square kilometres per officer.

### Enforcement Activity

In April 2006, the Ministry centralized the enforcement function of the regional and district offices in the Enforcement Branch. Along with this reorganization, the Ministry adopted a risk-based compliance and enforcement framework. The new approach focuses the Ministry's work and response to incidents on the risk posed to human health and safety, natural resources, and the economy. Conservation officers are assigned to specific geographical areas. As part of their enforcement efforts, the officers conduct general deterrent patrols and target the areas of greatest risk identified in the risk-based plans to monitor resource users and maintain a visible presence in the communities.

The Ministry allocates operational support funding to the Enforcement Branch that averages approximately \$9,000 per conservation officer to carry out field-enforcement activities.

From our review of the enforcement activities in the districts that we visited, and discussions with enforcement supervisors and officers, we noted the following:

- For the 2006/07 fiscal year, each enforcement unit prepared a risk-based plan outlining enforcement activities necessary to effectively protect natural resources. For the four units reviewed, the funds budgeted were insufficient to carry out the planned enforcement activities according to the risk-based plans. As a result, conservation officer patrol hours had been reduced from planned levels by between 15% and 60%. For enforcement activities on the Great Lakes, marine patrol hours were reduced by 50% from planned levels. Planned enforcement activities that were reduced included patrols to help prevent the illegal harvest of moose, deer, caribou, and black bear; sport fishing enforcement with sensitive fisheries and fish species; activities aimed at curbing unsafe hunting practices; and aerial patrols of remote tourist areas. If there was a shortfall in funding, district offices were not allowed to reallocate funds from other activities to the enforcement units, as was the case in prior years.
- For the enforcement units reviewed, conservation officers were unable to carry out additional harvest monitoring because of resource constraints. In this regard, they were restricted to spending between \$75 and \$125 a week for operating costs such as meals, gas, vehicle repairs and maintenance, and travel. At this level of funding, we noted that conservation officers carried out regular patrols an average of one or two days a week during the 2006/07 fiscal year, compared to an average three or four days a week the previous fiscal year. In the case of one unit, we noted that regular patrols were suspended by mid-November 2006 for lack of funds, even though the deer hunting season still had another 10 days to run. In the case of another unit, conservation officers were able to patrol only one-third of a major sport and commercial fishing

lake. Lack of enforcement and high fishing activity on this lake resulted in the walleye fish population collapsing to an unhealthy level. In such cases, it is questionable whether these reduced enforcement activities are effective in adequately safeguarding the fish and wildlife resources.

- Conservation officers and supervisors indicated that, because of reduced funding, there has been a decrease in the time spent on deterrent patrols. We noted that, in the last five years, the number of contacts was down 20% while charges had declined 16%. In addition, the number of conservation officers and time spent in the field have decreased over the same period. Studies from enforcement agencies in other jurisdictions have found that when officers are engaged in a proactive and directed patrol strategy, such as deterrent patrols, the non-compliance rate falls. In many cases, the other jurisdictions achieved a higher level of compliance with laws by deploying more officers for deterrent patrols. The reduction of deterrent patrols by conservation officers may have put added pressure on the province's fish and wildlife resources. For example, we noted that when one unit carried out a two-week enforcement blitz in 2006, it seized 57 illegally hunted moose, almost double the 29 moose seized during a similar blitz in 2005. In the case of two other units that carried out controlled deer hunts during the fall of 2006, conservation officers found that 15% to 20% of the hunters they checked were in violation of regulations, including hunting without a licence, transfer of deer tags, and trespassing to hunt.

Overall, the reduction in funding and field-enforcement activity may have an adverse impact on enforcement effectiveness and ultimately on fish and wildlife resources. We had similar concerns during our 1998 audit.

## RECOMMENDATION 12

To help sustain fish and wildlife resources and ensure compliance with legislation, the Ministry of Natural Resources should determine whether the enforcement resources allocated are sufficient to achieve the enforcement goals established in its risk-based plans.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 12, 13, and 14. We reproduce it following Recommendation 14.

### Deployment of Conservation Officers

To determine staffing levels for enforcement units, the Ministry uses a staff deployment model for conservation officers that was developed in the 1980s. The model was based on the population of a geographic area and the ability of the public to access natural resources. It has not been updated to reflect current risks to the fish and wildlife resources. As a result, enforcement supervisors had mixed success achieving the staffing levels they believe are appropriate. Staffing requirements were generally based on the Enforcement Branch's knowledge of the enforcement area, including such factors as demand for service (as determined by complaints), illegal activity patterns, concerns expressed by the public, and the geography of the area. Since the 2002/03 fiscal year, the number of field conservation officers has decreased by 7%, to 194 officers from 208. This has put further pressure on enforcement staff's ability to protect fish and wildlife resources.

With the new risk-based approach to enforcement activities, the Ministry needs to develop a conservation-officer-deployment model based on workload. We noted that other jurisdictions deploy officers primarily on the basis of the need for service.

Developing workload statistics and scheduling the officers accordingly, the Ministry would be better able to determine whether it has the staffing levels necessary to achieve its enforcement goals.

Effective conservation-officer deployment helps deter illegal activity and protect resource sustainability. However, the current deployment strategy has left gaps in enforcement coverage that could have a detrimental effect on the resources. In the case of one enforcement area, we noted there was no full-time lake conservation officer to patrol a lake that was home to 30 licensed commercial fishing operators. In another area, enforcement staff informed us of two cases where the commercial licence holders had falsified daily catch reports to conceal a bigger-than-reported actual catch. In these cases, there is a risk of increased non-compliance with fishing quotas, which could lead to unsustainable fishing practices.

The majority of conservation officers work eight-hour shifts that normally conclude before six in the evening, and there are generally few overnight shifts. According to ministry staff, most public complaints during the night do not need immediate attention, even though almost 20% of the calls to the Ministry's TIPS reporting hotline occur during overnight hours. We were informed that enforcement staff cannot respond to complaints in off hours without supervisory approval because the costs of overtime must be balanced with the severity of the complaint and concerns about staff safety. We were also informed that extensive off-hours work could diminish the staff's ability to carry out regular day patrols. However, failure to respond to complaints on a timely basis may increase the risk of illegal activity going undetected.

### RECOMMENDATION 13

To further strengthen its risk-based enforcement plan and ensure that fish and wildlife resources are adequately protected, the Ministry of Natural Resources should review its deployment

strategy to determine whether conservation officer staffing is sufficient in each area to carry out effective deterrent patrols and meet local service requirements while recognizing current funding pressures.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 12, 13, and 14. We reproduce it following Recommendation 14.

### Hunting and Fishing Licence Suspensions

Residents who hunt and fish in the province are required to purchase an Ontario Outdoors Card to which are attached all valid hunting and fishing licence stickers. Anyone suspended from hunting or fishing as a result of a conviction under the *Fish and Wildlife Conservation Act* is not required to surrender the Outdoors Card, unless explicitly required by court order.

Conservation officers are required to enter prosecution and conviction information about offenders into the Compliance Activity and Violation Reporting System (CAVRS), along with the Ontario Outdoors Card number and any warnings about violations. Once a suspension record or warning is entered into CAVRS, the information is available to conservation officers in the field through the Provincial Communication Unit.

In addition, the Ministry has an Outdoors Card Information System (OCIS) to issue and track Outdoors Cards as well as hunting and fishing licences. The Outdoors Card numbers in CAVRS and OCIS are to be matched to ensure that individuals suspended from hunting and fishing do not obtain a licence or qualify for a deer or moose tag. For the matching control to be effective, conservation officers must ensure that the Outdoors Card number for each convicted individual is entered into CAVRS on a timely basis.



We reviewed all 157 hunting and fishing suspensions for 128 individuals convicted of an offence in 2005 and noted that the matching control between CAVRS and OCIS needs improvement. We found that 29 individuals had no Outdoors Card number recorded in CAVRS even though OCIS indicated that two of them had an Outdoors Card at the time of their conviction. We also found that seven individuals had purchased hunting licences after they were suspended from all hunting activities. Four purchased the licences from outside issuing agents, who do not have access to active suspension records, while three bought them from the Ministry, which did have access to suspension records.

In addition, the Ministry's practice is to remove suspended individuals from the moose and deer tag draws by reviewing the CAVRS and OCIS databases for suspensions. Improved controls are also needed in this process, since we noted that two suspended individuals successfully entered the deer and moose draws and won tags.

#### RECOMMENDATION 14

To prevent suspended individuals from obtaining hunting and fishing licences or entering the deer and moose tag draws while under suspension, the Ministry of Natural Resources should improve procedures and controls to ensure that its information systems are more complete and that suspended hunters are not allowed to get moose and deer hunting tags.

#### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 12, 13, and 14, as follows.

The Ministry has implemented a risk-based compliance framework for planning enforcement operations and realigned the reporting relationship for many enforcement staff, including having conservation officers report to

the Enforcement Branch. As part of this modernization, the Enforcement Branch recognizes the need to review officer deployment as part of a broader human-resources strategy.

In the meantime, the Enforcement Branch will continue to use a strategic approach, using risk-based planning and financial logic models to recognize the range of priorities, issues, and operating-cost differences across the province and to guide resource-allocation decisions. Enforcement activities will reflect ministry and broader government priorities and focus on activities that present the highest risk to resource sustainability and public safety.

Improvements will be made to the procedures and controls relating to licence suspensions. For example, a project is under way that will improve the Ministry's ability to prevent the sale of licences to clients under suspension.

### FISH AND WILDLIFE FUNDING

Effective April 1, 1996, the Ministry established a Fish and Wildlife Special Purpose Account (Account) in the province's Consolidated Revenue Fund. All revenues received under the *Fish and Wildlife Conservation Act* are deposited in the Account and used as directed by the Minister for making payments relating to fish and wildlife resource management and conservation. Specifically, the Act requires that funds from the Account can only be used for the management, perpetuation, or rehabilitation of fish or wildlife populations.

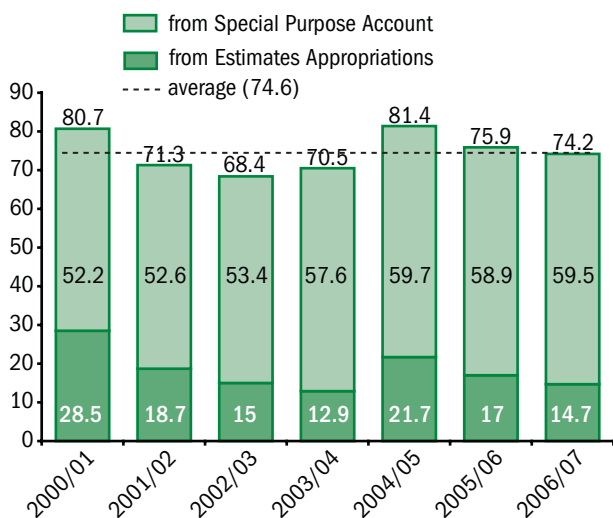
We noted that licence fees and other fish and wildlife revenue were deposited into the Account from the Consolidated Revenue Fund on a timely basis, allowing the Account to earn maximum interest revenue. In addition, money withdrawn from the Account was appropriately used for fish and wildlife resource management and conservation.



Since 2000, total funds provided by the Account, and other funding provided through ministry appropriations, have generally remained at the same level and averaged \$74.6 million, as illustrated in Figure 3. In real-dollar terms, despite ever-increasing ecological concerns and related ministry responsibilities, funding for the Program has significantly declined over the last 20 years. In the 1987/88 fiscal year, fish and wildlife funding was \$67.4 million, equivalent to more than \$100 million in today's dollars. Given the investment required to address many of the other recommendations in this report, the Ministry may need to determine where to focus its efforts and whether certain aspects of its mandate are achievable given current financial resources.

**Figure 3: Operating Funds for the Fish and Wildlife Program, 2000/01–2006/07 (\$ million)**

Source of data: Ministry of Natural Resources



## RECOMMENDATION 15

Given the decline over the last 20 years in real dollar funding for Fish and Wildlife Program activities, the Ministry of Natural Resources should formally prioritize its responsibilities for maintaining biodiversity and safeguarding

Ontario's fish and wildlife and allocate available funding accordingly.

## MINISTRY RESPONSE

To enhance the delivery of the Fish and Wildlife Program, the government has allocated an additional \$22 million over four years to implement the new *Endangered Species Act, 2007* and \$18 million over four years in new funding for public stewardship activities. Enforcement funding has also been increased by approximately 7% for the 2007/08 fiscal year as compared to 2006/07. In addition, \$5.85 million per year for three years under the Canada-Ontario Agreement have been allocated to the Ministry.

The Ministry will set priorities within funding allocations to strive to achieve a balance in delivering its responsibilities. Priority-setting will reflect government strategies and key ministry goals. These priorities will be reviewed and confirmed annually as part of the government's overall results-based planning process.

## MEASURING AND REPORTING ON EFFECTIVENESS

In a 2005 policy document entitled *Our Sustainable Future*, the Ministry outlined its strategic directions to ensure the sustainable development of the province's natural resources and improve economic prosperity. The document included specific strategies and proposed actions to help achieve the Ministry's vision. For the Fish and Wildlife Program, key objectives are to:

- protect healthy fish and wildlife populations and the aquatic and terrestrial ecosystems on which they rely;
- rehabilitate degraded populations and habitats;

- provide and promote diverse fishing, hunting, and viewing opportunities as well as other social, economic, and cultural benefits based on Ontario's fish and wildlife resources;
- reduce threats to human health from fish and wildlife populations;
- increase the awareness, understanding, and involvement of stakeholders;
- promote organizational excellence and commitment to quality service; and
- meet the fish and wildlife Special Purpose Account revenue projections.

To demonstrate the effectiveness of the Program, the Ministry needs to measure and publicly report on its success and take corrective action where objectives are not met. However, we noted that the Ministry did not have specific performance measures for most of its objectives. Instead, the Ministry reported its achievement only in the following areas:

- percentage of game wildlife, migratory game birds, and commercial and sport fish with a conservation status of "secure";
- percentage of endangered species protected under the *Endangered Species Act*;
- percentage of municipalities participating in the Bear Wise Program regarding nuisance bears; and
- number of fish and wildlife volunteers and their hours participating in the Community Fisheries and Wildlife Involvement Program and the Ontario Stewardship Program.

These were last reported in the Ministry's 2006/07 results-based plans.

These measures are mainly directed at stakeholder participation and the percentage of fish and wildlife protected but do not reflect all aspects of the Ministry's goal of ecological sustainability and development of the province's natural resources. The Ministry needs to develop more comprehensive indicators for measuring and reporting on the Program's effectiveness. In addition, it would be

useful to isolate and identify those factors attributable to the Ministry's own conservation efforts to help assess its effectiveness in achieving ecological sustainability.

We noted that other jurisdictions report performance measures such as:

- number of fish species present, and relative numbers of each of those species in a given ecosystem for biodiversity and population status;
- commercial fish harvest trends, to help determine the status of fish populations and the lake's capacity to produce a sustainable yield;
- quality and distribution of suitable habitat sufficient to maintain wildlife species across their range over time; and
- increases in the number of opportunities for fish- and wildlife-related recreation.

One jurisdiction also plans to report the changes in wetlands over time to help assess the threats to this type of ecosystem.

To better demonstrate whether the Program is effectively managing fish and wildlife resources, the Ministry should publicly report on performance measures such as those listed and track the extent over time of the human and biological stress imposed on the province's biodiversity and the impacts of efforts to mitigate risks to biodiversity. Although some reports have been issued on a local scale with respect to certain species, these reports do not include the big-game species, such as moose, deer, and bear, which are commercially important and are the most vulnerable to overharvesting.

We understand that the Ministry plans to prepare state-of-the-resources reports that, once fully implemented, will complement the reporting of its other public-performance measures and enable it to track the improvement or deterioration of resources and its overall effectiveness over time.

Although ministry staff agreed that an overall assessment was needed to evaluate program effectiveness, we were advised that insufficient

information and resources were available to measure achievement over such a broad range of expectations. However, publicly reporting trends in the health and diversity of fish and wildlife resources can highlight areas that require immediate attention and, if necessary, special funding.

### RECOMMENDATION 16

The Ministry of Natural Resources should develop more comprehensive indicators for measuring and reporting on the Fish and Wildlife Program's effectiveness in ensuring that Ontario's fish and wildlife resources are healthy, diverse, and sustainable for the use and enjoyment of the people of Ontario.

### MINISTRY RESPONSE

The Ministry is working toward the development of an outcome-based planning, monitoring, evaluation, and reporting system based upon the principles of continuous improvement, performance, and quality management, with measures to assess ministry performance. Performance measures will look at activities and inputs, as well as program effectiveness in achieving outputs and outcomes. As part of the ministry-wide initiative, the Fish and Wildlife Program is developing logic models that include high-level outcomes and performance measures with an initial focus on Ontario's Biodiversity Strategy.

## Chapter 3

### Section 3.07

# GO Transit

## Background

Established in 1967, GO Transit operates Canada's largest interregional public transit system, linking Toronto with surrounding regions of the Greater Toronto Area (GTA) comprising Durham, York, Peel, and Halton. Beyond the GTA, it also serves Hamilton and reaches into Simcoe, Dufferin, and Wellington counties and serves a population of more than 5 million. GO Transit has an extensive network of commuter rail services on seven rail corridors, as shown in Figure 1, which carry about 165,000 passengers on a typical weekday. An additional 30,000 passengers travel each weekday on GO Transit buses.

Seventy percent of the track on which GO Transit operates is owned by Canadian National (CN) and Canadian Pacific Railway (CPR)—referred to in this report as the “host railways.” The remaining corridors are owned by GO Transit. The two host railways also provide crewing and dispatching for all trains, including trains running on GO Transit-owned lines.

At the time of our audit, GO Transit, or as it is officially called, the Greater Toronto Transit Authority, was governed by the *GO Transit Act, 2001*. The province appoints the GO Transit Board of Directors, which reports to the Minister

of Transportation. However, the *Greater Toronto Transportation Authority Act, 2006* (Act), will eventually replace the *GO Transit Act, 2001* once all of its provisions are proclaimed. Under the Act, GO Transit is to operate as a division of the Greater Toronto Transportation Authority (GTTA) without a separate board.

As of March 31, 2007, GO Transit had over 1,200 full-time-equivalent employees and annual operating expenditures of approximately \$375 million. Excluding amortization and certain other items costing about \$100 million, GO Transit recovers about 90% of the remaining \$275 million through passenger fares, and the province subsidizes the remaining portion. For growth and expansion capital costs, the province provides about one-third of GO Transit's capital funding needs, with the understanding that the federal and municipal governments will contribute the remaining two-thirds.

## Audit Objective and Scope

The objective of our audit was to assess whether GO Transit had adequate systems and procedures in place to:

- effectively meet service demand and provide reliable and safe rail services to the public; and

**Figure 1: Map of the GO Transit Rail System**

Source of data: GO Transit



- ensure that such services are delivered with due regard for economy and efficiency.

Given that this was our first audit of GO Transit, our audit focused on rail operations because they comprise over 85% of GO Transit's operations. Bus operations and the acquisition and maintenance of rolling stock were not part of the scope of this audit.

Our audit work included interviews with a majority of the existing and former members of GO Transit's Board of Directors and with appropriate staff, a review and analysis of pertinent information and statistics, and research into the practices of similar transit systems in other jurisdictions. We conducted our audit work primarily at GO Transit's head office in Toronto.

As one aspect of our review and at the request of GO Transit's Chair, we also conducted a detailed review of board governance for GO Transit's Board of Directors. The more significant observations

arising from this review are included in this report, and a more detailed report was provided to GO Transit's Board of Directors.

Before beginning our work, we developed audit criteria that we used to attain our audit objective. These were agreed to by the senior management of GO Transit.

Our audit also included a review of relevant audit reports issued by GO Transit's Internal Audit office, which were helpful in determining and prioritizing the scope and extent of our audit work.

## Summary

GO Transit's commuter network is a vital part of the transportation system in the GTA. The demand for its services is growing rapidly, with more than a 65% increase in rail passengers over the last

10 years. Until recent years, GO Transit's on-time performance was in the mid-90% range, but delays and overcrowding have become increasingly common. During our audit, between October 2006 and February 2007, there were over 160 train cancellations and 3,400 delays, and GO Transit's on-time performance was only about 85%. While GO Transit has taken some action to address this, more needs to be done to meet service demand and provide reliable rail services.

With respect to meeting service demand and managing on-time performance, we found that GO Transit's capital expenditure plan was based not on projected ridership growth but mainly on expected federal, provincial, and municipal funding. Without a more comprehensive analysis of future demand and trends, there might not be sufficient infrastructure to accommodate the growth in passenger volumes. Some areas could continue to experience serious capacity issues and persistent problems with delays and poor customer service. In addition, without such information, decision-makers from various levels of government will not be in a position to properly assess the cost/benefits of different transportation alternatives and make informed decisions on expansion plans and funding levels on the basis of projected ridership levels.

Seventy percent of the track that GO Transit operates on is privately owned and therefore the host railways must be relied upon to maintain the tracks and rail equipment. Having to operate in this environment has affected GO Transit's operations in a number of ways:

- GO Transit, as well as other commuter rail systems in Canada, expressed concerns that, because it has no competitive alternatives to the existing host railways, it had limited means to deal with what it considered to be high rates, restrictive covenant provisions, and, in some cases, controls over the actual service that are imposed by the host railways. In this regard, for example, GO Transit indicated that

freight traffic often has priority over passenger traffic for the use of the same tracks.

- In many cases, improvements in rail service can only be achieved if GO Transit funds expansion on the host railways' own rail infrastructure. For example, of the \$580 million that GO Transit planned to spend on rail infrastructure projects over the next 10 years, approximately \$475 million is to be spent on expanding rail corridors owned by host railways. The railways will maintain ownership of and control over the improved infrastructure once completed, but GO Transit has no guarantees that it will receive improved service in return.
- The host railways stipulated that they are to perform all required project design and construction work. A fixed price would be negotiated between GO Transit and the railways for each project. As a result, GO Transit did not have the option of following a competitive procurement process for such work.

The regulation of railways falls under federal transportation legislation. However, GO Transit has no formal mechanism for working with the provincial government to directly address the above issues with the federal government. GO Transit needs to work more closely with the provincial Ministry of Transportation to ensure that representations made to the federal government better safeguard its taxpayer-funded railway projects and to ensure adequate access to railway service for the public.

With respect to the acquisition of goods and services, we found that GO Transit has adequate policies in place to help ensure that goods and services were acquired competitively, with due regard for value for money, and through open and transparent processes. However, in practice these policies have in a number of cases not been effective. For example, we noted the following:

- GO Transit had entered into agreements with two consortiums to manage several of



its growth capital projects. In one case, GO Transit issued a request for proposals for program-management consultant services and awarded a contract worth \$247,000 for the first 12 months. It subsequently extended the contract, through a series of amendments, by seven years, at an additional cost of \$25 million to date. Similarly, in the other case, it requested a proposal for 17 months' work and awarded the contract for about \$2.3 million. It subsequently extended this contract for three years at an additional cost of \$15.2 million to date. We noted that, in both cases, the scope of these projects, outlined in the information provided to potential bidders, clearly stated that they were multi-year projects, yet GO Transit requested bids for work spanning only 12 and 17 months. Since the capital projects under management are to continue up to 2014, the contracts with the consortiums could last for another six years without a further request for proposals.

- In another example, an information technology project initiated in December 2002 was to be completed in November 2003 at a cost of \$2.4 million. By the time the system went into production in December 2006, the cost had escalated to \$7.8 million.
- Including the amendments to the contracts referred to above, over 60 amendments were made to contracts totalling almost \$70 million, or an increase of about 75% of the original contracts' values, in the three years from 2004 through 2006. While GO Transit's Board of Directors approved most of the contract amendments put forward by management, as indicated by our interviews and review of board minutes, a number of members expressed concern over the frequency and size of the amendments but felt they had little choice other than to

approve them because the projects, with their increased scope, were already well under way.

- There were numerous instances of suppliers being selected without a competitive process. For example, over \$8.6 million was spent on 170 consulting contracts that were single sourced in the 2004/05 and 2005/06 fiscal years.

With respect to governance, we have made recommendations to strengthen accountability and provide for more effective oversight of management and operations. The Board needs to develop a strategic plan that includes specific goals and targets for measuring progress, establish a board subcommittee structure to oversee significant operational issues, evaluate its own performance and that of senior management, and meet all agency accountability reporting requirements established by the province.

In addition to the above observations, we also noted the following:

- While GO Transit's proof-of-payment fare system may appear to be successful, since less than 1% of passengers were found to be riding without a ticket, approximately 60% of all fare inspections were done on off-peak trains, which account for less than 20% of all passengers. In addition, we found significant variations in the enforcement practices of inspectors.
- While an audit by the American Public Transportation Association's (APTA's) Commuter Rail Safety Management Program provided an overall positive opinion on the safety and security of GO Transit's operations, there are additional measures GO Transit could take to further enhance safety and security.

We sent this report to GO Transit and invited it to provide responses. We reproduce its overall response below and its responses to individual recommendations following the applicable recommendation.

## OVERALL GO TRANSIT RESPONSE

GO Transit appreciates the audit findings and recommendations issued by the Auditor General. GO is taking action to address most, if not all, of the recommendations. Because most of the assets over which GO Transit's rail system operates are controlled and maintained by other parties, GO is in a difficult position of trying to maximize its services to the public, yet maintain a competitive environment within which it does business. However, within that domain, GO Transit is taking measures to control and optimize its business, and respond more positively to customer service concerns.

In 2008, GO Transit will be reducing its reliance on the railways for providing the crews to operate GO trains. The new operating contract will entail a dedicated team of train operators who will be more customer-focused than the freight railway crews. Likewise, the new train maintenance contract, which will focus more on performance, will be under way. Also in 2008, new locomotives will be brought into service, improving the reliability and environmental footprint of the train. New track infrastructure, funded by all three levels of government, will be nearing completion, which will allow GO more operational flexibility on heavily congested train corridors.

The demand for its services is growing rapidly with an increase of more than 65% in rail passengers over the last 10 years. Over 80% of GO Transit's 165,000 weekday rail passengers travel during peak hours to and from Union Station in downtown Toronto.

Until 2004, GO Transit's on-time performance ranged between 93% and 96%, but delays have subsequently become more common. In particular, since 2005, as ridership has increased, on-time performance has decreased. GO Transit has indicated that it made a conscious decision to compromise on-time reliability in order to offer more peak-period service.

GO Transit classifies a train as on time if it arrives at its destination within five minutes of its scheduled arrival time. This practice is consistent with those of other major commuter rail systems, which use a period of within five or six minutes from scheduled arrival time to classify a train as on time. During the period October 2006 through February 2007, over 160 train cancellations and 3,400 delays were recorded. The average length of the delays was 13 minutes. Approximately 2,000 of the delays, which affected approximately 2.6 million riders, occurred during peak hours. During this period, GO Transit's on-time performance averaged only around 85%.

Figure 2 highlights the on-time performance in 2006 of other commuter rail systems in North America. The operating environment of these commuter systems is comparable to that of GO Transit. One major difference, however, is that in GO Transit's case, 70% of the rail corridors are owned by private-sector railway companies, whereas for the U.S. commuter systems listed in Figure 2, the majority of corridors are publicly owned.

GO Transit's most recent customer satisfaction survey, conducted in 2004, revealed that overall satisfaction among core riders dropped from 80% in 1998 to 74% in 2004. The key factors for the decline in customer satisfaction were inadequate peak-period service, declining on-time performance

## Detailed Audit Observations

### SERVICE DEMAND AND ON-TIME PERFORMANCE

Since beginning operations in 1967, GO Transit's commuter network has become a vital part of the transportation system in the GTA and an essential piece of the solution to gridlock and air pollution.

**Figure 2: On-time Performance for Comparable Commuter Rail Systems in North America, 2006**

Prepared by the Office of the Auditor General of Ontario

Commuter System	Annual Rail Ridership (million)	2006 On-time Performance (%)
AMT Montreal – commuter rail service linking the downtown core with surrounding communities	15	98.0
Metro North (New York) – suburban commuter railroad service between New York City and its northern suburbs in New York and Connecticut	75	97.8 <sup>1</sup>
Northeast Illinois Regional Commuter Railroad, aka METRA (Chicago) – commuter railroad that serves the city of Chicago and the surrounding suburbs	82	96.5 <sup>1,2</sup>
New Jersey Transit – statewide public transportation system serving the state of New Jersey, and Orange and Rockland counties in New York—operates bus, light rail, and commuter rail services throughout the state	69	95.1 <sup>1,3</sup>
Long Island Railroad (New York) – commuter rail system serving the length of Long Island, New York	82	93.3 <sup>1</sup>
<b>GO Transit</b>	<b>41</b>	<b>89.5</b>
Massachusetts Bay Transportation Authority, aka MBTA (Boston) – commuter rail system in the greater Boston area	38	89.0 <sup>3</sup>
Southeastern Pennsylvania Transportation Authority, aka SEPTA (Philadelphia) – provides commuter rail service to Philadelphia and its suburbs	30	88.4 <sup>1,3</sup>

1. percentage of commuter trains that arrive within six minutes of the scheduled time (compared to five minutes for other systems)

2. January to June 2006

3. fiscal year ending June 30, 2006

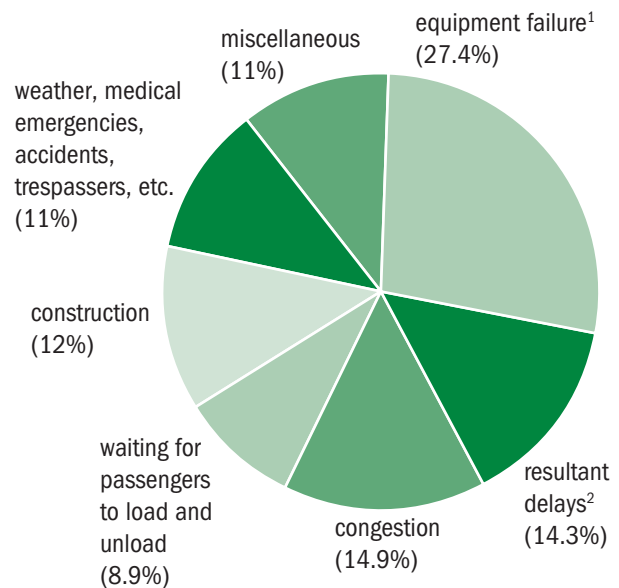
of rail service, and crowding on trains. Since the 2004 survey, there has been a further 9% increase in passengers without any increase in capacity. GO Transit has not conducted a similar customer satisfaction survey since 2004.

### Reasons for Train Delays

To determine when trains arrive in a station, GO Transit relies on a combination of logs kept by train crews, video monitoring, and a Global Positioning System. The information on arrival time is manually logged into a CN-owned and -operated computer system used for managing GO Transit's train operations. The system assigns the reasons and responsibilities for delays amongst GO Transit and its operating partners. On the basis of information provided by the system, we noted that the largest cause of delay was failure of equipment (such as switches, signals, crossings, locomotives, and coaches), as shown in Figure 3.

**Figure 3: Reasons for Delays, October 2006–February 2007**

Prepared by the Office of the Auditor General of Ontario



1. switches, signals, crossings, locomotives, coaches, etc.

2. initial delay results in delays to other trains

A number of these delays—such as those caused by medical emergencies and construction—were beyond GO Transit’s control. In addition, because of infrastructure constraints and tight scheduling to meet demand, any difficulty encountered by one train would often result in the delayed arrival of other trains. Almost 15% of the delays were the result of earlier delays by other trains.

As a result of the recent significant decline in on-time performance, GO Transit initiated a review of rail on-time performance and reported the results to its Board of Directors in April 2007. All individual weekday trips were reviewed on a case-by-case basis to identify recurring delays affecting that trip and methods of correcting the problem. GO Transit indicated that this process would be repeated on a quarterly basis to ensure that emergent issues are addressed as promptly as possible.

While the on-time performance review proposed adjustments to individual trips where possible, it also indicated that no single initiative would address any significant portion of the delays and that it was unlikely that service could be improved quickly. In addition, some types of delays are systemic and were not addressed through the individual-trip review. These systemic issues, which include switch and signal problems, rolling-stock-related delays, and train-control issues and procedures, were to be reviewed separately.

## RECOMMENDATION 1

In order that appropriate and timely action is taken to ensure the on-time performance of trains, GO Transit should:

- formalize the practice of periodically conducting individual trip reviews;
- follow through with its commitment to carry out a review of systemic issues leading to train delays and develop and implement an action plan with timelines to address each significant systemic issue; and

- conduct an updated customer satisfaction survey to obtain input from customers on ways to improve service.

## GO TRANSIT RESPONSE

GO Transit is proactively working with its service providers to address on-time performance issues. GO Transit now has a formal trip review process in place and is working with the railways to remove systemic issues leading to delays. GO Transit is increasing the track capacity of the railways, so more flexibility is available to deal with individual train delays. The province has also committed to upgrading the locomotive fleet, so more reliable equipment is available for service. In the operating area, GO Transit has finalized the selection of a new third-party train operations contract that will ensure dedicated crews and a performance-driven relationship.

With respect to customer surveys, we are now undertaking surveys every two years. Through our complaint-tracking process, we know that customers want more reliable service and more service options. This is a major source of dissatisfaction with our customers. GO Transit is endeavouring to meet customers’ expectations.

## Capital Planning to Address Growth

Delays due to congestion are indications that the existing rail system is operating beyond its capacity and is not able to handle the growing demand for service. On the basis of a passenger count taken by GO Transit in October 2006, we estimated that, during peak hours, its trains were running at about two million riders over seated capacity in 2006. The Milton line experiences the greatest crowding, with

a daily seated capacity of about 19,000 but actual daily ridership of about 21,000.

At the time of our audit, GO Transit was planning to invest approximately \$1.7 billion under its growth capital plan over the next 10 years to expand its service. Figure 4 summarizes the nature and amount of the planned expenditures.

This level of capital spending was expected to increase GO Transit's rail capacity over the next 10 years by approximately 40%—or by 15 million annual riders. GO Transit management indicated that, because there was already so much latent demand for its services—that is, there continued to be more riders than capacity to serve them—ridership growth was more closely related to its ability to expand existing train service than to population and employment growth. This will continue to be the case until GO Transit's service catches up with the latent demand.

The priorities for service expansion were driven by factors such as how much funding will be made available by governments and how the host rail-ways react to expansion and growth projects, as opposed to by how much faster one rail corridor is growing than another. There has thus been no formal planning to meet future demand arising from such factors as local population trends, estimated passenger growth by rail corridor, and integration with local transit. Nor has GO Transit planned to address the effects and cost/benefits of different funding levels on meeting demand. Our review of changes in ridership by rail corridor over the last two years indicated significant differences in ridership growth amongst the corridors, as shown in Figure 5.

Without a more comprehensive analysis of future demand and trends, there might not be sufficient infrastructure to accommodate the growth in passenger volumes. Some areas could continue to experience serious capacity issues and persistent problems with delays and poor customer service.

In addition, decision-makers from various levels of government will need information of this nature to enable them to properly assess the cost/benefits of different transportation alternatives and make informed decisions on expansion plans and funding levels.

**Figure 4: Summary of GO Transit's 10-year Growth Capital Plan, 2006/07–2015/16**

Prepared by the Office of the Auditor General of Ontario

Expenditure Type	Amount (\$ million)
expansion of rail infrastructure	580.4
purchase of bi-level rail coaches and locomotives	500.5
bus rapid transit	165.5
expansion of GO Transit parking lots	140.3
purchase of property	60.1
growth projects outside the GTA	58.2
new buses	37.0
other system requirements (includes new stations, platform extensions at existing stations, and train storage facilities)	140.7
<b>Total</b>	<b>1,682.7</b>

**Figure 5: Rail Ridership by Corridor, 2004–2006**

Prepared by the Office of the Auditor General of Ontario

Corridor	2004 (000)	2006 (000)	Growth from 2004	
			(000)	% Growth
Bradford	1,647	2,273	626	38
Stouffville	1,933	2,644	711	37
Georgetown	3,329	3,805	476	14
Richmond Hill	1,814	2,047	233	13
Milton	5,429	6,025	596	11
Lakeshore West	12,863	13,560	697	5
Lakeshore East	10,689	10,811	122	1
<b>Total</b>	<b>37,704</b>	<b>41,165</b>	<b>3,461</b>	<b>9</b>



## RECOMMENDATION 2

To ensure that an effective strategy is in place to address growing passenger demand, GO Transit should establish a more comprehensive capital planning process that takes into consideration such factors as passenger growth by individual corridor and the impact of different funding levels on meeting service demand.

## GO TRANSIT RESPONSE

Current (and previous) government leaders recognize the need and justification for more GO Transit service. Recently, this was reinforced by the “Places to Grow” Growth Plan and the Canada Strategic Infrastructure Fund agreement between the federal and provincial governments for GO Transit expansion. Provincial, municipal, and federal decision-makers now recognize the success of GO Transit and the need for greatly expanded services. GO Transit has expanded as budgets allowed. However, GO Transit’s year to year capital funding has been erratic and unstable. It is difficult to aggressively schedule multi-year projects for the expansion of services that are necessary to meet the growing population of the GTA when funding commitments occur on an annual basis.

GO Transit will work toward establishing a more comprehensive capital planning process that takes into account growth by individual rail corridors and the impact of different funding levels on meeting service demand.

### Track Congestion and Right of Access

As shown in Figure 3, 15% of the delays during the period October 2006 through February 2007 were due to track congestion. Because the host railways own 70% of the track on which GO Transit operates,

GO Transit has to compete with freight traffic and other passenger rail traffic for the use of the same tracks. These host railways also provide crewing and dispatching for all of GO Transit’s trains and maintain the tracks and rail equipment.

Sharing rail access and having the host railways operate and maintain its trains and equipment affect GO Transit’s operations in many ways:

- According to GO Transit, freight traffic often has priority over passenger traffic with respect to the railways’ service because GO Transit accounts for less than 1% of the host railways’ revenue. From October 2006 through February 2007, over 500 delays were attributed to congestion and the need to share tracks.
- GO Transit, as well as other commuter rail systems in Canada, has expressed concerns that, because it has no competitive alternatives to the existing host railways, it has little recourse over what it considered to be high rates, restrictive covenant provisions, and, in some cases, controls imposed by the host railways over the actual service that can be provided, such as controls over the scheduling of additional train service.
- GO Transit has to negotiate with the host railways in order to achieve improvements in services, including the operation of additional trains. According to GO Transit, agreement is usually reached only after GO Transit has agreed to fund the expansion of the host railways’ infrastructure. For example, of the \$580 million that GO Transit plans to spend on projects for the expansion of rail infrastructure over the next 10 years, approximately \$475 million is to be spent on expanding rail corridors owned by the host railways. Although the costs of expansion will be funded by GO Transit, the railways will own the assets, collect access fees from GO Transit,



and control the use of the new improved infrastructure once completed. These contributions benefit both the railways' asset base and the movement of freight traffic, yet to date GO Transit has received little formal assurance of service improvements in return for its investment.

- GO Transit's agreements with the host railways stipulated that the railways were to perform all required project design and construction work directly or through their contractors. A fixed price would be negotiated between GO Transit and the railways for each project. As a result, GO Transit did not have the option of following a competitive procurement process to ensure that the work would be done at the most reasonable cost.

The regulation of railways falls under federal transportation legislation and affects GO Transit as well as other commuter rail systems in Canada. While the federal government has recognized these concerns, several previous attempts to provide commuter rail operators with legislative protection have failed. However, in May 2006, Bill C-11 was introduced by the federal Minister of Transportation to amend the *Canada Transportation Act* and the *Railway Safety Act*. A number of the amendments in Bill C-11, passed in June 2007, are aimed at balancing the interests of commuters and urban transit authorities with those of rail carriers. Some of the significant changes include:

- the ability to gain access to the lines of federally regulated railways by means of a dispute resolution mechanism proposed under the legislation;
- the Canada Transportation Agency's authority to determine the amounts to be paid to the host railways for such access;
- the ability of urban transit authorities to purchase a discontinued railway line or corridor offered for sale at net salvage value; and

- the requirement that future contracts between railway companies and public passenger service providers be made available to the public, upon request, in the interest of greater transparency.

Our review and discussions with GO Transit officials indicated that the amendments would help to address many—but not all—of GO Transit's concerns. We also noted that GO Transit had joined with other commuter rail systems in the country to make representations to the federal Ministry of Transportation regarding Bill C-11. However, GO Transit has no formal or regular mechanism for working with the provincial government to ensure that such issues are raised during federal-provincial transportation negotiations.

### RECOMMENDATION 3

To ensure that the interest of the public is adequately protected, GO Transit should work proactively with the province to ensure the public's right of access to economical and efficient railway service.

### GO TRANSIT RESPONSE

GO Transit recovers almost 90% of its operating costs and continues to grow its ridership base; GO Transit leads the industry in providing an economical service. GO Transit will continue to work with the various levels of government and the rail industry to ensure that an economical and efficient railway service, including appropriate right of access, is provided for the public.

### Agreements with Host Railways and Suppliers

The host railways are responsible for maintaining the corridors that they own. In addition, GO Transit has entered into agreements with several major

suppliers, including the two host railways, for crewing and maintaining the tracks and facilities it owns, as well as its locomotives and coaches. Over the last five years, about 65% of delays have been attributed by GO Transit to its service providers.

We noted that, in spite of the persistent—and, in some cases, growing—delays that were attributed to the service providers, the terms of the operating agreements between GO Transit and its service providers had not been effective in producing improvements in on-time performance. Specifically:

- According to the agreement with one host railway, GO Transit is to pay the host railway a service-quality incentive that may be increased or decreased on the basis of on-time performance thresholds stipulated for each rail corridor. However, the incentive was capped at a maximum amount that was too insignificant to act as a meaningful incentive relative to the approximately \$50 million that GO Transit was paying the host railway annually. Moreover, the busiest rail corridor was excluded from this adjustment.
- The equipment maintenance agreement with a major supplier provides for penalties of up to 3% of the \$30-million price for the services for that year if trains are delayed by more than 20 minutes or cancelled as a result of equipment failure. As in the case of the above host railway, the provision had not been effective in ensuring performance, since the number of delays attributed to equipment maintained by this supplier had increased significantly in the last year.
- There was no specific provision in the form of incentives or penalties that GO Transit could apply under a number of agreements with the second host railway and several other suppliers. The operating agreement with that railway simply states that both parties will work together to strive to achieve 100% on-time

performance with a minimum of service interruptions that might inconvenience passengers.

GO Transit has taken some action to allow for greater control over its on-time performance. At the time of our audit, it was in the process of assuming responsibility for rail crew operations from the host railways. It was also in a position to enhance the performance clauses of several of the agreements that are coming up for renewal in the near future. For a number of other agreements, however, GO Transit may have little clout in changing the underlying agreements given that it has no alternative but to use the rail lines and services of the owners of the tracks.

#### RECOMMENDATION 4

To ensure reliable train service, GO Transit should:

- work more effectively with service providers to address persistent delays attributed to them, monitor progress toward reducing the delays, and take appropriate action; and
- review the terms of the agreements with service providers and, where possible, negotiate appropriate changes to future agreements to enhance performance and accountability.

#### GO TRANSIT RESPONSE

GO Transit is proactively moving forward with measures to improve service delivery. GO Transit will continue to work closely with all service providers to encourage better performance and take corrective measures to address systemic problems. Operating and maintenance agreements are being renewed in 2008. Performance-driven (and penalty-exception) contracts will be strongly considered, if economically viable for GO Transit and the province.

## ACQUISITION OF GOODS AND SERVICES

### Procurement Practices

Over the two fiscal years ending March 31, 2006, GO Transit's total expenditure on the acquisition of goods and services, excluding the acquisition of rolling stock, amounted to approximately \$470 million. Of this, \$165 million was related to capital projects undertaken by GO Transit on the host railways' rail systems. GO Transit's agreements with the host railways stipulated that the railways were to perform all required project design and construction work. A fixed price was negotiated for this work, and GO Transit did not have the option of following a competitive procurement process to ensure that it received the best product and price.

Notwithstanding the constraints relating to the lack of competitive tenders with the host railways, we noted that GO Transit had adequate policies in place to help ensure that goods and services were acquired competitively, with due regard for value for money, and through open and transparent procedures. Figure 6 summarizes GO Transit's competitive procurement policies.

Although GO Transit's competitive procurement policies were adequate, in practice these policies have not been effective in ensuring value for money in a number of instances. Specifically, we have concerns with GO Transit's procurement practices

for a number of its long-term major capital and maintenance projects. For example:

- GO Transit had entered into agreements with two consortiums to manage a number of its growth capital projects for Toronto's Union Station in 2000/01 and for rail corridors in which GO Transit operated in 2003/04. For the Union Station projects, GO Transit issued a request for proposals for program-management consulting services and awarded a contract worth \$247,000 for the first 12 months. It subsequently made nine extensions to the contract to 2007/08, with additional costs totalling \$25 million to date. For the rail-corridor projects, GO Transit issued a request for proposals for program management and awarded the contract for about \$2.3 million for the first 17 months. As it did with the first contract, GO Transit subsequently extended this contract for three years at an additional cost of \$15.2 million to date. We noted that, in both cases, the project scope outlined in the information provided to potential bidders clearly stated that these capital projects, estimated to cost in excess of \$250 million for the Union Station projects and \$500 million for the rail corridors, required multi-year management; yet GO Transit requested bids for only 12 and 17 months, respectively.

**Figure 6: Summary of GO Transit's Procurement Policies**

Prepared by the Office of the Auditor General of Ontario

Dollar Limit	Procurement Method
<\$10,000	<ul style="list-style-type: none"> <li>• verbal or written quotation from one or more vendors, where possible</li> </ul>
\$10,000–\$20,000	<ul style="list-style-type: none"> <li>• written quotation from a minimum of three vendors, where possible</li> </ul>
\$20,000–\$100,000	<ul style="list-style-type: none"> <li>• written quotations or tenders from a minimum of three vendors, where possible (GO Transit must consider a tender for consulting contracts between \$50,000 and \$1 million; for consulting assignments with an estimated value greater than \$1 million, GO Transit must consider a public tender)</li> </ul>
>\$100,000	<ul style="list-style-type: none"> <li>• a public tender must be conducted; however, the Procurement Manager may decide to use an invitational tender if there is sufficient justification (such as limited number of qualified vendors)</li> <li>• prior approval for awards of more than \$250,000 must be obtained from the Board</li> </ul>

GO Transit advised us that, with respect to the Union Station projects, when it acquired a part of Union Station in 2000, the property was functioning at close to capacity and had an estimated 50-year backlog of maintenance and repairs. Therefore, many projects had to be undertaken immediately, with no time for a complete assessment of everything that needed to be done at Union Station. Furthermore, GO Transit indicated that it did not know how much money would be made available by the government and when budget approvals would be given each year for the projects being managed under either assignment. Had it received a long-term funding commitment from the government, it could have developed an implementation strategy and awarded a management contract with firm dates and projects.

We acknowledge that it might not be feasible to delay work on some of the more urgent capital projects, and the funding available could impact the extent and timing of work to be conducted. However, given the long duration of the capital projects, the significant amounts under management, and the fact that GO Transit was aware that the two management contracts would cost many times more than the initial one-year amount, we remain concerned that a more complete tender was not carried out to ensure that all qualified consultants had the opportunity to bid for this work and thereby ensure that value for money was received.

We were also concerned about the open-ended nature of the arrangement in the management contracts as well as of the projects under management. Senior staff at GO Transit negotiated the cost of undertaking the management of various projects on the basis of the numbers and roles of the

individuals assigned by the consortiums to the project. Although GO Transit indicated that the fees paid to the consortiums were below those recommended by the Professional Engineers of Ontario, the total fees were not fixed. Approximately \$40 million in contract amendments have been awarded to the consortiums to date. Furthermore, we noted that there had been significant increases in the estimated cost of completing the Union Station projects, which at the time of our audit had gone from a budget of \$390 million (with a built-in 25% contingency) to \$460 million. Without following a competitive tendering process to enable a comparison of the price and quality of services being provided to those available in the open market, GO Transit had little assurance that it received value for money with respect to the price it paid and the services received.

In addition, although the existing contracts with the two consortiums are to expire on March 31, 2008, according to GO Transit's capital plan the projects under management are to continue up to 2014. Therefore, the contracts with the consortiums will in all likelihood last for up to another six years without a further tender. While, in light of the familiarity with the work the consortiums have gained over time, it may not be practical to retender the existing contracts, given the circumstances, sufficient monitoring of the consortiums' work is all the more critical.

- A contract relating to the maintenance of the Union Station rail corridor and the related rail-traffic-control services was initially single-sourced to the previous owners of the corridor in June 2000. According to GO Transit, the previous owners were the only qualified vendor, given their past experience. The initial agreement expired in June 2006; at the time

of our audit, GO Transit had not finalized a new agreement. Instead, it was operating on a letter of intent to execute a new agreement with the existing vendor. The original contract stipulated fees of about \$5 million annually, while the new agreement is expected to cost about \$6.8 million annually over the next six years. While we acknowledge GO Transit's original rationale for single-sourcing the contract, we would have expected that in the six intervening years GO Transit would have been actively seeking other qualified suppliers so as not to be forced into the same single-source situation again. As well, GO Transit had not formally assessed whether the new contract price was reasonable nor considered alternatives, such as the feasibility of developing in-house expertise in the long run so as not to become overly dependent on this one vendor.

- In June 2005, GO Transit awarded a \$13.6 million contract to a vendor for the maintenance of GO Transit-owned corridors. GO Transit identified seven potential bidders for the contract, which was publicly tendered. However, only the winning proponent submitted a bid. Given the significant value of this contract and the level of interest, we would have expected GO Transit to investigate why the other potential bidders chose not to submit proposals. In response to our inquiry, GO Transit indicated that its staff did contact the other bidders but failed to appropriately document and file the information obtained.

In addition to our concerns on the procurement of long-term capital and maintenance contracts, we noted that, in the 2004/05 and 2005/06 fiscal years, another \$85 million was for contracts that were negotiated or not tendered. For example:

- An amount of \$8.6 million was spent on 170 consulting contracts that were single-sourced. In justification of the single sourcing, GO Transit officials often cited the opinion that the rate charged by the consultant was reasonable

or that the consultant possessed the necessary skills to complete the assignment. However, without the benefit of a competitive acquisition process, GO Transit could not ensure that all qualified consultants were given fair access and that competitive prices were obtained for the services to be received.

- In addition, we noted a number of instances where the original cost of the consulting assignments was set at \$49,500, or just below the limit of \$50,000 required for a tender. These contracts were often subsequently extended, resulting in payments two to three times the original amount. For example, in June 2005, a consultant was contracted without a competitive process to serve as the acting manager of a project until a new manager was recruited. The original ceiling price of the contract was \$49,500. After the new manager was hired, however, the contract was extended and the value of the assignment increased to nearly \$300,000, with new responsibilities.
- We also noted numerous cases of procurements under \$10,000 for services that generally have an abundance of suppliers, such as printing, real-estate appraisals, and the installation of signs. However, there was no attempt on the part of GO Transit to obtain verbal or written quotations as suggested by its own procurement policy. Approximately \$4.5 million of the non-tendered purchase orders related to procurements under \$10,000. GO Transit indicated that the administrative burden of managing these low-value procurements was the reason why no quotations were obtained. To lessen the burden, we believe that it should consider periodically conducting tenders to select vendors that would supply frequently used goods and services for a competitive price and for a specified period, a common practice in the Ontario government.



## Project Management

GO Transit's policy allows for increases to original contract prices if the increases are properly justified and approved by senior management and the Board of Directors. For contracts with an awarded value in excess of \$250,000, the policy requires that extensions be approved by the Board if their total exceeds 50% of the original contract value. Contract extensions that change the scope of original contracts and add more than \$100,000 to the total contract price must also be brought to the attention of the Board for advice.

We noted that, in the three years 2004 through 2006, over 60 amendments to various original contracts had been presented to the Board. Nearly \$56 million was for more than 20 amendments relating to the procurement contracts of the two consortiums for the management of GO Transit's growth-capital construction projects, and the projects they were managing during the three years (mentioned in the preceding section as our first concern about contracts for long-term major capital maintenance projects). The remaining amendments, totalling nearly \$12 million, were for consulting and maintenance contracts. In total, the nearly \$70 million in amendments represented approximately 75% of the original contract values. As a hedge against unexpected circumstances, it is common in many contracts, such as construction contracts, to provide for contingencies of 10% to 15% of the original contract value. The high number of amendments to GO Transit's contracts and their significant added costs could be indicative of inadequate planning, inadequate upfront cost estimating, and/or weak monitoring of those projects.

We noted that, in one case, the Board had approved six extensions totalling over \$1.5 million relating to a contract it had approved for the development of an information technology system, originally initiated in December 2002 for \$2.4 million. The system was originally to be implemented in November 2003. There was a significant

underestimation of the resources required for the implementation of the system, the complexity of GO Transit's collective bargaining rules, and other technical requirements. It was not until September 2006 that the complete system became operational. The revised estimated cost for the entire project was \$7.8 million.

In this regard, we note that the province has provisions whereby the ceiling price of agreements may be increased, provided the increase is justified, documented, and receives the appropriate prior written approval. However, the ceiling price should be allowed to increase only in exceptional circumstances and not to the extent that GO Transit has permitted in many of its agreements in recent years.

Approval by the Board of Directors was given on most contract amendments put forward by management. However, in our interviews with past and present board members and as we found through our review of board minutes, a number of members expressed concern over the frequency and size of the amendments and felt that management's initial scoping of contracts may have been inadequate. Some board members felt they had little choice but to approve contract amendments, since projects were already well under way.

## Ensuring Supplier Performance

Typical best practices relating to service provider contracts should detail the services to be provided, expected results, reporting requirements, and provisions to compensate for poor performance. We noted several examples, such as the following, where the service providers did not meet the timelines stipulated in the contracts and yet were still paid in full.

- A company was awarded a \$1.2 million contract to expand a GO Transit station parking lot. The contract stipulated that the expansion was to be completed by January 2006. The actual completion date was October 2006.



One reason cited by GO Transit for the delay was the slow work of the contractor; however, the contract did not provide any recourse, such as reduction in the contract amount, for the delays in completion. The contractor was paid in full—GO Transit indicated that, even though it considered making a claim for damages, it did not feel it could prove it suffered a financial loss, and the legal cost of pursuing such a claim would exceed any recovery GO Transit might obtain.

- A supplier was given a \$1.8 million single-sourced contract to provide a device that would enable the replacement of switches in the Union Station rail corridor. The main reason GO Transit single-sourced the contract was that the vendor promised delivery of the device by March 31, 2006. The delivery date was crucial for the startup of the switch replacement program in May 2006. However, the supplier delayed delivery of the device by four months without consequences, because the contract did not provide any recourse in the event that the agreed-upon delivery date was missed.

GO Transit indicated that, in situations like this, its recourse was to not invite the service provider to bid on future contracts.

## RECOMMENDATION 5

To ensure that value for money is received and GO Transit's acquisition processes are regarded as fair, open, and transparent, GO Transit should:

- follow its internal policies, which require a competitive selection process in acquiring goods and services;
- monitor contracts for adherence to the original price and consider obtaining a separate tender for any significant change in the scope of work in the original contract;

- ensure that contracts have firm ceiling prices, whenever possible;
- conduct a long-term needs analysis on the costs and benefits of hiring consultants and consider alternatives, such as hiring and training staff instead of using consultants; and
- strengthen the terms of contracts with suppliers to ensure satisfactory and timely performance and take appropriate action to ensure that suppliers adhere to contract terms.

## GO TRANSIT RESPONSE

GO Transit has a comprehensive and competitive procurement policy that is regularly audited for compliance and reviewed and approved by its Board. The Auditor's staff recognized that GO Transit has good procurement policies in place. It is not always practical or "value-added" to retender as a result of scope changes, especially when the changes result from an unpredictable circumstance. However, we agree that, where there is a significant change in the scope of work, consideration should be given to the practicality of tendering to accommodate the additional work. Extensions to existing work are sometimes required in order to facilitate the delivery of the product to the public in a timely and efficient manner.

With respect to the program-management contracts, the quality of the work is critical. This quality is provided by the unique skills of the consulting staff seconded to GO Transit. They must manage nearly \$1 billion of complex and complicated engineering and construction projects over many years. It was not practical for a full-price contract to be defined for this work. To seek new proposals every few years would have been a very ineffective way of staffing up these major program-management assignments.

GO Transit chose a method of contracting that is common to the industry; GO Transit got support for this approach from the Board and staff of the province and the federal government.

Nevertheless, GO Transit will review its current practices and make any necessary changes to strengthen controls over the procurement of goods and services.

## SETTING FARES

Fare revenue constituted approximately 95% of all operating revenues (excluding government grants) that GO Transit collected in the 2006/07 fiscal year. GO Transit recovers a significant amount of its operating costs from its operating revenues. At 89.5% in 2006/07, GO Transit's revenue-to-cost ratio is significantly higher than the national average for transit systems in Canada and other countries published by the Canadian Urban Transit Association, as shown in Figure 7. GO Transit bases its fare increases, to a great extent, on maintaining a relatively consistent revenue-to-cost ratio, defined as revenue over cash operating expenditures.

For rail and bus networks alike, fares are determined by a formula that has both fixed and variable components. Different fares are charged and discounts offered according to customer category, length of the trip, and the frequency of travel. Since its creation in 1967, GO Transit has been using a zone fare system. With the rapid expansion of GO Transit's network, this zone fare system has become cumbersome and allows GO Transit little flexibility in setting fares. For example:

- The system has a capacity to handle only 100 zones, of which 97 have already been used.
- GO Transit cannot vary fares between its rail and bus service or charge a premium for express rail service.

**Figure 7: Average Revenue-to-cost Ratio for Transit Systems in Canada and Other Countries, 2006**

Source of data: Canadian Urban Transportation Association

Country	Average Revenue-to-cost Ratio (%)
Canada	62
Germany	60
France	55
Sweden	44
U.S.	39
Italy	33
Netherlands	28

- Because zones straddle different lines, a fare increase to one line generally has to be applied across all lines.

In November 2006, after a public tendering process, the Ministry of Transportation awarded a \$250 million contract to a consulting firm to develop and maintain the "GTA fare card." This new system is intended to allow commuters to load a dollar value onto a card that can then be used on the various transit systems within the GTA. The contract is for a term of 10 years, with the option to renew for two further three-year terms, and encompasses the initial design and implementation, as well as future maintenance and operation, of the fare-card system. At the time of our audit, this project was in its preliminary stage, with a pilot project expected to begin in Mississauga in July 2007.

## ENSURING PAYMENT OF FARES

### Fare Inspections

GO Transit currently operates the fare system for its trains on a proof-of-payment basis. Commuters are required to pay their fares before boarding the trains, and all the stations are barrier free (presentation of a ticket is not required to board a train or bus). Station attendants sell single-ride tickets,

multi-ride tickets, and monthly passes. Holders of multi-ride tickets are required to cancel a ride on their tickets before boarding the train. GO Transit enforcement officers conduct periodic inspections on trains, during which they request that all passengers show a valid proof of payment, such as the ticket with the date and time of cancellation stamped on it. A passenger who does not have a valid proof of payment may receive a Provincial Offence Notice of \$110 or a warning from the enforcement officer.

GO Transit's overall standard for inspections is to inspect at least 6% of the ridership. In addition, trains for each scheduled departure time are to be inspected at least once every month or twice in any two-month period. We noted that the actual overall inspection rate reported by GO Transit for the period October 2005 to September 2006 was slightly below the standard at 5.18%. We also noted that:

- Approximately 60% of all inspections were done on off-peak trains. Off-peak trains carried less than 20% of all passengers.
- The most inspected corridor had an overall inspection rate of 5.81%, while the least inspected corridor had an inspection rate of 1.53%.
- As many as 76% of weekday peak trains and 64% of weekday off-peak trains did not meet the inspection-frequency standard. The average gap between inspections was 3.2 months. Out of approximately 180 daily trains, 23 had gaps of over six months between inspections; 17 of these were peak-period trains.

GO Transit indicated that its experience has shown that an average inspection rate of 5% would keep fare evasion at a level of around 1%. The actual overall fare-evasion rate for the period October 2005 to September 2006 was below 1%. When a passenger cannot present proof of payment, an inspector can issue either a warning or a fine. We found that some inspectors are significantly

more likely to issue fines than others, as shown in Figure 8. On the basis of the GO Transit data, we estimated that the overall chance of receiving a fine if caught without the appropriate proof of payment was about 40%.

GO Transit did not have formal guidelines on when inspectors are to issue a Provincial Offence Notice versus only a warning when passengers do not have valid proof of payment. Such guidelines would ensure that fines and warnings are issued on a consistent basis between inspectors. Some inspectors we interviewed informed us that warnings are often issued instead of fines to avoid confrontations with riders.

GO Transit also did not have a formal policy for dealing with repeat offenders, such as escalating charges for repeat offences. Its information system does track repeat offenders, but the information was not easily made available to inspectors during the course of inspection. Because they would have had to call the dispatcher and wait for a reply, inspectors usually did not request the information.

### Collection of Fines

In addition to fines issued for the evasion of fares, GO Transit issues other fines, such as those for parking infractions at stations. GO Transit does not collect outstanding parking fines. Instead, municipalities collect these on behalf of GO Transit. Prior

**Figure 8: Percentage Chance of Receiving a Fine, by Inspector, October 2005–September 2006**

Source of data: GO Transit

%	# of Inspectors
0-20	11
21-40	19
41-60	21
61-80	10
81-100	5
<b>Total</b>	<b>66</b>

to January 1, 2004, the municipalities retained all fines issued. Subsequently, an agreement was reached whereby municipalities now retain 30% of the fines collected as consideration for the collection effort and remit the remaining 70% to GO Transit.

Because GO Transit is entitled to more than two-thirds of the fines, it has a vested interest in ensuring that fines are collected. Also, the deterrent factor would be lost if fines are not collected on a timely basis. However, we noted that GO Transit had not monitored the municipalities' efforts and did not track the amount and age of the fines outstanding. Through our inquiries with the Ministry of the Attorney General, we noted that as of February 26, 2007, there were over 18,500 outstanding fines, totalling nearly \$2.3 million, relating to GO Transit.

GO Transit indicated at the time of our audit that it did not have access to the information needed from the Ministry of the Attorney General to monitor fines nor could it compel municipalities to take any action. GO Transit indicated that it had raised this issue with the Ministry of the Attorney General, but the issue has yet to be resolved.

## RECOMMENDATION 6

To ensure that inspection and collection efforts are effective and consistent in enforcing payment of fares, GO Transit should:

- review and make appropriate revisions to its inspection guidelines relating to when a fine should be levied on passengers who evade paying their fares;
- make sure inspection coverage and enforcement actions comply with internal inspection standards;
- monitor the results of inspections and take corrective action, where necessary;
- develop a policy with respect to repeat offenders; and

- work with the Ministry of the Attorney General and municipalities to establish a more effective and accountable system for collecting fines.

## GO TRANSIT RESPONSE

GO Transit agrees with this recommendation. An assignment has been initiated to review and update the *Operations Manual* for transit enforcement officers and customer attendants. Better guidelines will be provided in the areas of fare inspections and customer service. GO Transit is also expanding its ability to improve training, planning, scheduling, compliance monitoring, and business analysis. Additional staff will be assigned to assist in the pursuit of collecting fines. These staff will work with the Ministry of the Attorney General and municipalities to review policies relating to repeat offenders and the timely collection of fine revenues.

## SAFETY AND SECURITY

GO Transit is a voluntary participant in the American Public Transportation Association's (APTA's) Commuter Rail Safety Management Program. This program is designed to provide each participating transit system with a process for the effective implementation and review of a safety plan specific to its needs. In 2004, APTA conducted an audit to assess the level to which GO Transit's safety plan had been implemented and made a number of recommendations. A follow-up audit was conducted in April 2006; while some issues remained, APTA provided an overall positive opinion on the safety and security of GO Transit's operations.

Nevertheless, there are several areas where the safety and security of GO Transit passengers could be better protected, as indicated in the following observations:

- Between October 2004 and September 2006, there were about 2,500 safety and security incidents, including, for example, passenger injuries, illnesses, thefts, cases of harassment, and suspicious packages. While GO Transit investigated each individual case, it did not maintain a complete database that would facilitate analysis of these incidents for the purpose of preventing them in the future. It also had not developed performance indicators for passenger safety to measure progress toward the reduction of safety and security incidents. We noted that a number of commuter passenger rail systems in other jurisdictions have developed indicators such as the rate of customer injuries per million rides.
- We noted that, in the event of extraordinary circumstances in the Greater Toronto Area, GO Transit has three security alert levels that take into consideration the potential or direct threat against GO Transit. They ranged from increasing vigilance up to the cessation of service. Each department within GO Transit is responsible for establishing and updating its own security-escalation procedures. APTA, in its 2004 audit, recommended that all departments within GO Transit periodically conduct a tabletop test where staff talk through managing a simulated security-related scenario. In April 2006, GO Transit conducted its first tabletop exercise, which presented participants with scenarios at all three alert levels. However, following the exercise, there was no formal analysis or report prepared on the performance of the various departments to identify weaknesses and necessary corrective actions.
- Transport Canada performs rail safety inspections of the host railways' tracks and equipment to ensure that the tracks and equipment meet safety standards. We noted that

GO Transit had not regularly requested the reports from these inspections, even though it has ultimate responsibility for the quality of its service, which includes the safety of its passengers.

- Over 2,200 cases of theft of vehicles, theft from vehicles, and mischief to vehicles at GO Transit station parking lots have been reported to GO Transit in the last five years. Reports that we obtained from Peel and Halton police indicate that the actual number of incidents was higher than this because not all cases are reported to GO Transit.
- APTA had recommended installation of automated external defibrillators in offices and stations staffed with people trained in CPR. An automated external defibrillator is a portable electronic device that treats potentially life-threatening cardiac arrest. Defibrillators are generally located in public places for use by trained personnel. For every minute that a person in cardiac arrest goes without treatment, the chance of survival decreases by 10%. In response to the APTA recommendation made in 2004, GO Transit indicated that the installation will take six to eight months. However, we noted that no plans had been made to adopt this recommendation.

## RECOMMENDATION 7

To further enhance the safety and security of passengers, GO Transit should:

- perform periodic systemic analysis of past safety and security incidents to determine whether measures can be taken on certain types of commonly recurring risks;
- formally analyze and report on the effectiveness of its simulated security exercises; and
- implement safety and security measures identified through audits on a timely basis.



## GO TRANSIT RESPONSE

GO Transit acknowledges that one simulation, conducted in April 2006, was not appropriately documented. Since that time, responsibility for all simulated security and safety exercises has been given to GO Transit's System Safety Office and comprehensive reporting on the results of exercises has occurred.

With respect to the implementation of safety and security measures periodically identified through audits, GO Transit will continue to review each safety and security audit recommendation in the context of the overall operation and the best practices shared between various police and security forces, other operating railways, and Transport Canada.

Although GO Transit has a record of 2,200 claims for automobile damage or theft in its parking lots, this must be taken in the context of more than 50 million cars parked. Of those 2,200 claims, many are for minor acts of vandalism and theft. However, GO is proactively working with Crime Stoppers, local police, and its own security forces to deter incidents.

## BOARD GOVERNANCE

Corporate governance commonly refers to the process by which organizations are directed, controlled, and held to account. As with most Crown agencies and public-sector organizations, GO Transit's Board of Directors is responsible for the strategic direction of the organization and is accountable for overseeing its actions and performance.

Effective governance requires that appropriate mechanisms be established by the board to enable effective decision-making, ensure clear accountability, and provide for regular review and assessment of management and operations. Although the specific practices, functions, and activities of a board will, and are expected to, differ according to the

particular context of the organization, a board's work must ensure that the key governance elements of setting strategic direction and providing corporate oversight are performed.

At the time of our audit, GO Transit's Board of Directors was in a period of transition, given the establishment of the Greater Toronto Transportation Authority (GTTA), under which GO Transit was soon to operate as a division. As a result, the Board had experienced significant membership turnover in the months before our audit, and several of the long-serving regional representatives had been appointed to the new GTTA Board of Directors, resulting in a number of vacancies on the GO Transit Board. Accordingly, the Board felt that a review of its governance practices would be timely.

## Board Composition

GO Transit's Board of Directors is appointed by the Minister of Transportation. At the time of our audit, the Board was composed of a chair, six citizen members, and six members appointed from the regions that GO Transit serves. These latter six members are elected members of their regional/municipal councils. Like all board members, they are expected to fulfill their fiduciary duties in the best interests of GO Transit. This can create an inherent potential conflict for regional/municipal members. While the regional members' comprehensive knowledge of their respective municipalities provides invaluable insight for GO Transit's operations, they may, on occasion, be asked to approve proposals that could negatively impact their municipality, even though the proposals are aimed at serving the best interests of GO Transit and the public it serves. Our discussions with several current and former board members confirmed that this potential conflict did create considerable challenges for the Board.

We noted several instances where such conflicts arose and found that the Board spent significant time on regional/municipal issues and concerns. For example:



- Significant meeting time was spent on an ongoing issue regarding legislation affecting the ability of municipalities to levy higher development charges for GO Transit's growth capital projects. As this is an issue between the province and the municipalities over which GO Transit has little control or influence, this may not have been the most productive use of the Board's limited amount of meeting time.
- A potential conflict arose when the Board discussed the creation of a regional transit system that would negatively impact GO Transit's bus routes and profitability.

### Strategic Planning and Risk Assessment

A key component of good governance is to set agreed-upon strategic priorities, to assess and minimize major risk areas facing the organization, and to take advantage of perceived opportunities through a strategic-planning process. GO Transit's Board holds an annual "strategic session" in January of each year. However, we found that not all board members attend, and no formal documented plan is produced as a result of the session.

A letter from the Minister of Transportation in January 2005 outlining expectations specified that "a significant priority of the Board must be the development of a new Strategic Plan that will provide the focus and direction to achieve the goals of increased ridership, expanded service, better integration, customer service excellence and improved financial performance." While GO Transit's management does produce a 10-year capital growth plan and presented a "Ten Year Strategic Plan" to the Board in January 2006, neither of these documents contains all the features of a robust, formal strategic plan similar to those expected in the business plans of all provincial Crown agencies. For example, in the case of GO Transit, a strategic or business plan should include a risk assessment and strategies for mitigating the risks identified, the resources required to meet GO Transit's goals and objectives, and targets and performance measures.

### Board Oversight

Our review noted that the Board could be providing more rigorous oversight of GO Transit's overall performance and of various specific operational issues, especially in more high-risk areas, such as meeting service demand, addressing the results of safety audits, and procurement. While a strong reliance on management is normal, a board must ensure that its processes provide effective monitoring and oversight to enhance accountability.

Many boards often delegate authority to subcommittees to more effectively deal with complex or specialized issues and to use directors' time more efficiently. The advantage of a committee structure is that it allows for specialist areas to be debated in detail by members with the appropriate knowledge or skills. The key points can then be presented to the full board for ratification, making more effective use of board members' time.

In this regard, we noted that GO Transit's committee structure is limited, with only an audit committee in place at the time of our review. While some ad hoc committees have been formed to address various issues, these met informally, as required, with no documentation or minutes maintained. Rather than being structured as a subcommittee of the Board, GO Transit's Executive Committee is structured as a monthly meeting of the Chair, the Vice Chair, and senior management to set the board agenda and discuss the issues that will be brought to the Board's attention.

The establishment of a more formal standing-committee structure could be a useful method for the Board to more fully review and debate issues of particular significance to governance or operations, thereby ensuring more rigorous oversight. This is particularly relevant given GO Transit's growth and the many challenges noted in this report in areas such as on-time performance, capital planning, and procurement. Board members we met with suggested three potentially useful committees: governance, procurement/contracting, and human resources/labour relations.

## Performance Evaluation

We noted that the annual performance evaluation of the CEO is currently carried out by the Chair and that the Board does not participate in deciding the resulting CEO compensation and annual bonus. Best practices would suggest including the input of all board members or a human-resources subcommittee of the Board in this evaluation.

Further, we noted that the Board does not conduct any evaluation of its own governance practices. Again, best practices suggest that such periodic evaluations can be useful in addressing any specific issues that arise—such as member absenteeism or participation styles—and in facilitating any required changes in board practices to ensure that the governance needs of the organization are effectively fulfilled. We were informed that such an evaluation process is being considered.

Our review also noted that few ongoing governance training and development opportunities have been provided to board members in the past. A more formalized orientation process and occasional governance-training workshops would enhance overall governance practices and ensure that board members have a consistent perspective on the role and responsibilities of the Board.

### RECOMMENDATION 8

To provide more effective governance, GO Transit's Board of Directors should:

- approve a formal strategic plan setting GO Transit's strategic direction and share it with the Ministry of Transportation and the Greater Toronto Transportation Authority (GTTA);
- establish a committee structure that supports the Board with more detailed review of and advice on significant matters relating to overall governance and oversight;
- ensure more effective oversight of GO Transit's overall performance, as well as of specific

operational issues, such as procurement and contract management; and

- consider adopting certain governance best practices such as enhanced performance-evaluation processes and a more formal orientation for new board members, as well as periodic governance-training workshops.

### GO TRANSIT RESPONSE

The GO Transit Board is grateful to the audit team of the Office of the Auditor General of Ontario for conducting its Board Governance Review (as part of the value-for-money audit), a request put forward by the Chairman to the Auditor General at the audit planning meeting held with the GO Transit Audit Committee on November 10, 2006.

The Board welcomes the Auditor's finding that it has been effective in ensuring that operations management has adequate policies and procedures in place to guide its operations. The Board will continue to proactively develop and employ effective mechanisms, which include the formation of a number of key subcommittees (for example, Strategic Planning, Governance, and Risk Management). These committees will monitor the development and implementation of the corporate-strategic-plan process; oversee and enhance board organization, procedures, and performance; and be responsible for determining that all key risks are identified, linked to risk-management activities, and assigned to risk owners.

In addition, the current training and orientation process will be enhanced to ensure that board members are adequately trained when first appointed, and kept up-to-date in connection with modern governance techniques and methods, including changes in the organization's controls and processes.

The Board also believes that the current structural relationship with the government of Ontario in connection with board governance needs to be reviewed and improved in order to accommodate the unique circumstances under which the GO Transit Board operates and enable the Board to effectively perform its oversight responsibilities. The Board of GO Transit will continue to review and explore solutions until outstanding issues are transparently resolved.

## AGENCY ACCOUNTABILITY

The Ministry of Government Services' Agency Establishment and Accountability Directive provides a framework for accountability, including responsibilities, to govern the operation of agencies established by the province. The following are some of the key requirements of the directive:

- A current Memorandum of Understanding with the responsible minister, whose purpose is to address the roles and responsibilities of the agency, staffing, administrative arrangements, and reporting and audit requirements.
- An annual business plan that covers at least three fiscal years for approval by the minister. The business plan is to include the agency's strategic directions, an overview of the agency's current and future programs and activities, the resources needed to meet its goals and objectives, an assessment of issues facing the agency, the performance measures and targets, a risk assessment and strategies adopted by the agency to manage risks identified, the proposed funding requirements, revenues, and operating and capital expenditures of the agency.
- An annual report to be submitted to the minister by every agency. Among other things, the annual report is to contain a discussion of performance targets achieved and the actions to

be taken if they are not achieved, an analysis of the agency's operational and financial performance, and audited financial statements.

We noted that the last Memorandum of Understanding between the Ministry of Transportation and GO Transit (then known as the Toronto Area Transit Operating Authority) was signed in 1991 and expired in 1998, when GO Transit was moved to the municipally controlled Greater Toronto Service Board. GO Transit was brought back under provincial control in 2001. At the time of our audit, we were advised that the Ministry and GO Transit were at the final stage of negotiating a new Memorandum of Understanding.

GO Transit also did not have a formal business plan and had never submitted an annual report that contained a discussion of performance targets to the Minister of Transportation.

### RECOMMENDATION 9

To fulfill its accountability requirements to the Minister of Transportation, GO Transit and the Ministry of Transportation should work together to finalize a Memorandum of Understanding and produce an annual business plan and annual report in compliance with provincial policies and guidelines.

### GO TRANSIT RESPONSE

GO Transit and the Ministry of Transportation have had a very co-operative relationship since GO Transit became an operating enterprise of the province in 2001. A Memorandum of Understanding is being finalized. The Ministry initiated the process in 2006, and it is hoped that, at the time of tabling this report, the Memorandum will be finalized and accepted by the GO Transit Board and the Minister. Under the Memorandum, GO Transit will produce a more formal business plan and annual report in compliance with provincial policies and guidelines.

## Chapter 3

### Section 3.08

Ministry of the Environment

# Hazardous Waste Management

## Background

Hazardous wastes include a broad range of materials that are corrosive, radioactive, toxic, pathological, or flammable, such as manufacturing residues (for example, waste acid, contaminated sludge, and complex chemicals), medical waste from hospitals, spent photofinishing chemicals, waste pesticides, motor oil, discarded batteries, and unused cleaning products from homes. These wastes require special handling to reduce their adverse effects on human health and the environment. Hazardous waste is primarily generated by industrial and manufacturing processes; however, it can also be generated by the commercial and institutional sectors, and by households.

The Ministry of the Environment (Ministry) is responsible for ensuring that hazardous waste is collected, stored, transported, treated, and disposed of with due regard for the environment and public health. Excluding households, Ontario produces approximately 400,000 tonnes of hazardous waste annually, according to ministry estimates. About 30,000 tonnes are disposed of on-site in private landfills or in incinerators, or discharged to approved sewage treatment systems, and the remainder (370,000 tonnes) is transferred

off-site for storage, processing, treatment, or disposal. Ontario has one commercial landfill site that receives about 170,000 tonnes of hazardous waste for disposal each year. Much of this waste is imported from the United States, which has stricter hazardous waste requirements, and from other provinces.

The Ministry governs the management of hazardous waste by authority of the *Environmental Protection Act* and its regulations, primarily Regulation 347—General Waste Management. This regulation requires generators of hazardous waste to register with the Ministry on an annual basis, provide details of the type and quantity of hazardous waste to be generated, and pay related fees. Carriers must obtain authorization from the Ministry to transport hazardous waste, and receivers must obtain Ministry authorization to receive, store, or process it. Each off-site movement of hazardous waste must be tracked on a form known as a manifest. The manifest accompanies the waste from its point of origin to its point of disposal and is signed off by each party as the waste transfers from the generator to the carrier and the receiver. Each party submits a copy of the manifest to the Ministry so that it can track the movement of the hazardous waste. In Ontario, there are approximately 24,000 generators, 800 carriers, and 800 receivers of

hazardous waste. All carriers and receivers must obtain certificates of approval from the Ministry that outline the specific conditions their operations must follow in order to protect the environment. Compliance staff at the Ministry's district offices and in its Sector Compliance Branch perform inspections to help ensure compliance with hazardous waste legislation and ministry policy.

Operating expenditures for the Ministry's Hazardous Waste Program totalled \$14.6 million in the 2006/07 fiscal year. Most of these expenditures relate to ensuring compliance (\$8.2 million), reviewing certificates of approval (\$1.2 million), and monitoring waste shipments (\$2 million).

## Audit Objective and Scope

The objective of our audit was to assess whether the Ministry had adequate procedures in place to ensure compliance with legislation and regulations aimed at protecting the environment from the risks posed by hazardous waste, and to measure and report on its effectiveness in this regard.

The criteria used in our audit were discussed with and agreed to by ministry management and related to systems, policies, and procedures that the Ministry should have in place.

The scope of our audit included a review and analysis of relevant documentation, as well as discussions with ministry staff responsible for program delivery. We also analyzed data from the Ministry's systems for registration and tracking of hazardous waste. Our work was carried out at the Ministry's main offices in Toronto and at selected district offices throughout Ontario.

We did not rely on the Ministry's internal auditors to reduce the extent of our work because they had not conducted any recent work in the areas covered by our audit.

## Summary

Partly owing to continuing problems with a computer system implemented in 2002, the Ministry does not yet have adequate monitoring and inspection procedures in place to ensure compliance with legislation and regulations aimed at protecting the environment from the risks posed by hazardous waste. Specifically, the system implemented in 2002 was not, at the time of our audit, achieving its intended purpose of supporting an electronic-manifest system, nor was it readily providing the information needed for district and head office staff to identify potential problems on a timely basis. In fact, most staff we talked to indicated that the previous system had better and more user-friendly analytical and reporting capabilities, enabling them to focus their inspection and other activities on those areas presenting the highest risk. The system's weaknesses limit the ability of staff to effectively monitor the volume of hazardous waste activity in the province and contributed to many of the following concerns:

- We identified over 5,000 generators that were registered as hazardous waste generators in 2004 but not in 2005, yet the Ministry had not determined whether they were still in operation and generating hazardous waste. Also, many generators registered after the deadline, resulting in unnecessary costs to the Ministry, necessitating reminder notices and preventing the Ministry from effectively following up on these generators—yet there are no penalties for filing late.
- Certificates of approval from the Ministry are required for hazardous waste carriers and receivers to establish, operate, enlarge, or extend a site or system. The Ministry reviews certificate applications to ensure that the applicant's operations will not have an adverse effect on the environment. As of



January 2007, we found that of the certificate applications yet to be processed, 50% had been in the assessment stage for more than one year and 20% for more than three years. The Ministry also does not routinely follow up on companies whose applications were refused or that are found to be operating without a certificate of approval, and we found a number of companies that were operating without the required certificate of approval.

- We identified over 26,000 shipments of hazardous waste in 2005 where the quantity received was less than the quantity shipped by the generator. The difference was greater than 10% in half of these shipments, with no explanation for or follow-up on the discrepancy. The lack of follow-up and other exceptions noted during our audit indicated that there is a risk that a significant amount of hazardous waste may not be disposed of properly.
- We identified almost 900 registered hazardous waste generators that apparently had not shipped any hazardous waste for the last three consecutive years—as evidenced by the absence of manifests, which are required to accompany all shipments of hazardous waste. The absence of manifests could indicate that hazardous waste, if not being accumulated on-site, was being shipped without the required documentation and disposed of inappropriately. The Ministry does not produce a report to highlight registered generators with no manifest activity so that they could be inspected to see whether they were still generating hazardous waste to be disposed of off-site.
- The Ministry may require carriers and receivers of hazardous waste to provide financial assurance to ensure that the government does not need to pay for hazardous waste cleanup. As of April 2007, the Ministry held \$150 million in financial assurance from over

700 carriers and receivers of waste. However, the financial assurance collected is not sufficient to fund cleanup costs when significant problems do arise. For example, a chemical company that provided financial assurance totalling \$3.4 million for a landfill site experienced problems with leakage, and cleanup costs have been estimated to be \$64 million.

- Hazardous waste generators are required to pay fees to the Ministry to recover the costs related to the management of hazardous waste in the province. In the last two years, the Ministry spent over \$30.6 million to administer the Hazardous Waste Program and collected only \$12.4 million.
- Ministry compliance staff may inspect any hazardous waste generator, carrier, or receiver governed under the *Environmental Protection Act*. Although the Ministry performed a significant number of inspections over the last three years, its selection of facilities for inspection was often not based on risks posed to the environment. Only four of the 20 largest hazardous-waste-producing sectors had been inspected, and in at least the last five years, the Ministry had not performed any inspections at 11 of the 30 largest hazardous-waste-generating facilities in the province. In addition, there was no process in place to identify and inspect unregistered facilities.
- Ministry inspectors had found a significant level of repeat non-compliance over the last three years. For example, 40% of the inspection reports we reviewed at the Ministry's district offices showed that similar violations had occurred in the past, but the Ministry had given these repeat violators more severe penalties in only 20% of the cases tested. Overall reported non-compliance rates may also be lower than is actually the case because district offices do not conduct surprise inspections, and inspections of trucks hauling hazardous



waste simply verify that a manifest document is on board but do not verify the weight or contents of the vehicle.

We sent this report to the Ministry and invited it to provide responses. We reproduce its overall response below and responses to individual recommendations following the appropriate recommendation.

## OVERALL MINISTRY RESPONSE

The Ministry appreciates the observations and recommendations of the Auditor General and will take action to implement improvements to its Hazardous Waste Program.

For example, in 2005, the government amended Regulation 347 under the *Environmental Protection Act*, which banned the land disposal of untreated hazardous wastes in Ontario. Updated registration, storage, and processing requirements have been phased in. The first treatment standards related to the land disposal restrictions took effect on August 31, 2007. The remainder of the treatment standards will become effective on December 31, 2009. These new, strict regulations and standards have brought Ontario onto an equal footing with the United States and will help to ensure that these wastes are made as safe as possible before being finally disposed in landfills.

The Ministry also continues to make hazardous waste management a priority in our inspection and compliance programs. Provincial inspections of hazardous waste producers are helping us better assess overall hazardous-waste-management activities in the province and continuously improve the program. Information learned from inspections is used to plan for future years to ensure that we target those facilities that pose the greatest risk to human health and the environment.

## Detailed Observations

### HAZARDOUS WASTE MANAGEMENT OPERATIONS

#### Registration of Hazardous Waste Generators

Regulation 347 under the *Environmental Protection Act* (Act) defines a “generator” as the operator of a waste generation facility. Pursuant to Regulation 347, every hazardous waste generator that is involved in the production, collection, handling, or storage of hazardous waste must register with the Ministry before transferring any hazardous waste from its generation facility and must submit an annual generator registration report on or before February 15 each year.

In 2003, we reported that a majority of the hazardous waste generators failed to register on time, and the Ministry made little effort to follow up on delinquent registrants. We recommended that the Ministry ensure that all active hazardous waste generators are registered, because failure to register could result in facilities not being considered for inspection, compromising the Ministry’s efforts to protect the environment and the public. To address this recommendation, the Ministry stated that it would send reminder notices to hazardous waste generators known to it.

During our testing, we were informed that notices were sent to over 30,000 generators in November 2006 to remind them to renew their registrations by the February 15, 2007, deadline. Following the registration deadline, second notices were sent to those generators that had failed to renew their registration. Of the generators that registered in 2006, almost 30%, or over 5,000 generators, registered after the February 15 deadline with no repercussions. The Ministry claimed that up to five reminder notices were sent to non-compliant

generators for the 2005 registration period. The sheer volume of non-compliance results in unnecessary costs to the Ministry in terms of reminder notices and limits the effectiveness of any follow-up actions.

Although renewal notices were sent to those that failed to re-register from one year to the next, a large number of generators still did not register. We identified over 12,000 generators that were registered in 2004 but not in 2005. According to the Ministry, almost 7,000 were no longer in operation. However, there was no evidence that district offices had been contacted to investigate whether the remaining 5,000 generators of hazardous waste that had not registered were still in operation.

### RECOMMENDATION 1

To ensure that all hazardous-waste-generating facilities are registered as required, the Ministry of the Environment should:

- consider implementing deterrents to encourage generators to register by the legislated deadline and help reduce the significant volume of non-compliance; and
- inform district offices of all generators that do not register by the legislated deadline and follow up to ensure that they either register or no longer generate hazardous waste.

### MINISTRY RESPONSE

The Hazardous Waste Information Network (HWIN) system produces exception reports on shipments originating from unregistered generators or handlers not authorized by their certificates to handle hazardous waste that are sent to district offices for follow-up and resolution. The HWIN system can also report on generators, carriers, receivers, inactive companies, and manifest quantity discrepancies. The Ministry will monitor and report on those generators not registered by legislated timelines and inform

district offices for follow-up action in the event of any non-compliance.

### Certification of Hazardous Waste Carriers and Receivers

The *Environmental Protection Act* requires carriers and receivers of hazardous waste to obtain certificates of approval from the Ministry that permit them to establish, operate, enlarge, or extend a site or system. Carriers are those who operate the facilities, equipment, and vehicles used in the collection, transportation, and storage of waste. Receivers operate processing or treatment facilities as well as landfill sites.

Certificates of approval are legally binding documents that outline specific conditions that must be met by the operator of each hazardous waste site to ensure the protection of the environment. Certificates detail a number of requirements such as the preparation of records, the maintenance of equipment, and the appropriate handling, disposal, and storage of hazardous waste. For management information purposes, the details of hazardous waste certificates, along with certificates for other waste, as well as for air and water programs, are to be recorded in the Ministry's Integrated Divisional System (IDS).

We reviewed the certificate of approval process and noted that:

- The Ministry annually receives approximately 1,000 certificate-of-approval applications for hazardous and non-hazardous waste. Although IDS cannot distinguish between hazardous and non-hazardous waste certificates, we estimate that approximately 100 hazardous waste certificates are approved annually. As of January 2007, there were over 600 waste applications yet to be processed, of which 50% had been in the assessment stage for more than one year and 20% for more than three

years. According to the Ministry, over the past 15 years there has been an increase in both the number of applications received annually and the workload per application as the complexity of the applications is increasing.

- The Ministry has established a target processing time of 50 days for waste applications. According to ministry policy, processing time excludes the time staff are waiting for information from the applicant. In our sample, the average processing time was over 120 days. In each of the last five years, the Ministry has not been able to meet its 50-day target for 40% of the waste applications processed. Ministry staff indicated that, in addition to staff shortages, delays were sometimes caused by factors such as the complexity of operations and the hearings that were required for controversial facilities. The onus is primarily on the Ministry to assess the appropriateness of the application, whereas other government programs such as forestry and mines require the applicant to submit independent third-party evidence that the proposal complies with legislation and will adequately protect the environment.
- The Ministry utilizes a checklist to ensure that all required information for certificate-of-approval applications is received and documentation is complete. We reviewed a sample of applications processed in the 2005/06 fiscal year and noted that applications for waste disposal sites were generally complete, but over half of the carrier applications tested were missing required documents such as detailed operational plans and proof of specialized driver training.
- The Ministry does not routinely follow up on companies whose applications were refused or that are found to be operating without a certificate of approval. We followed up on a

sample of facilities inspected by the Ministry before March 31, 2006, that were found to be operating without certificates of approval. As of April 2007, eight of the 12 companies that were found to be operating without a certificate of approval had still not applied for a certificate, and another facility, whose application was refused in 2006, was operating nevertheless without the legally required certificate.

- Limitations in the Ministry's certificate management system make it difficult to monitor certificates of approval. Certificates require the holder to take certain actions at specified times. For example, certificates for hazardous waste sites usually require the holder to submit an annual report to the district office. Reporting requirements written into a certificate are not tracked by the management system. This makes it difficult to know when a holder may be in violation of its certificate and which requirements it is not meeting. In addition, the system does not contain all existing certificates, because certificates that were issued before 1986 and are still valid have not been entered into the system, and the system does not interface with the computer system that tracks the movement of hazardous waste. Thus, certificate information must be independently entered into both systems.

## RECOMMENDATION 2

To help ensure that certificates of approval are in place for all carriers and receivers of hazardous waste and that certificate applications are properly assessed and approved on a timely basis, the Ministry of the Environment should:

- implement procedures to ensure that all carriers and receivers of hazardous waste are holders of the legally required certificates of approval;

- ensure that all required documentation has been submitted and is on file before issuing a certificate;
- consider options for the submission of independent third-party evidence that application proposals comply with legislation and adequately protect the environment, as is done for other environmentally sensitive programs such as mines and forestry;
- enhance the functionality of the Integrated Divisional System to interface with other program systems and to distinguish hazardous waste certificates from other program certificates; and
- include all existing certificates and reporting requirements in its management information system.

## MINISTRY RESPONSE

As part of the inspection of carriers and receivers, the Ministry ensures that a valid certificate of approval has been obtained and that the holder of the certificate is complying with all of its conditions.

The Ministry has begun to:

- draft improved application guidance material to ensure that requirements for certificates of approval are clearly described. This will help ensure that applications are properly assessed and processed on a timely basis;
- re-engineer application in-take procedures to accept only complete applications and quickly return deficient applications; and
- fast-track backlogged applications.

The Ministry will consider options for the submission of independent third-party evidence that indicates that application proposals comply with legislation and adequately protect the environment.

By November 30, 2007, district offices will be notified when applications are refused or returned to applicants, allowing for appropriate follow-up and resolution.

The Integrated Divisional System is being updated to distinguish between hazardous and non-hazardous waste certificates and will allow staff to track and report on conditions in the certificates of approval. These enhancements are scheduled for completion by November 30, 2007.

## Monitoring Hazardous Waste Shipments

Pursuant to Regulation 347 under the *Environmental Protection Act*, all shipments of hazardous waste must be accompanied by a manifest, be received from a registered generator, and be delivered to a certified receiver. In response to our 2003 audit of the Hazardous Waste Information Network (HWIN), the Ministry made a commitment to develop a comprehensive and integrated program for monitoring hazardous waste from the point of generation to its ultimate disposal.

We reviewed the Ministry's monitoring of hazardous waste shipments and found that the Ministry did not have adequate procedures in place to ensure that only certified carriers transported hazardous waste from registered generators to certified receivers. Consequently, there is a risk that a significant amount of hazardous waste is not being disposed of properly. Specifically, we noted:

- Unregistered generators made over 5,000 shipments of hazardous waste in 2005. The Ministry could not explain to us why the generators were not registered. Although the majority of these shipments were listed on generator exception reports, we traced a sample to determine if related inspection or incident reports were noted in the Ministry's

Integrated Divisional System. We found no evidence that district offices had performed any follow-up action on these unregistered generators. During our 2003 HWIN audit, we noted similar concerns, in that 1,697 incidents were noted where hazardous waste was transported by unregistered generators without any evidence of ministry follow-up.

- We identified manifests where carriers transported hazardous waste and receivers received hazardous waste even though they were not authorized to do so according to their certificates of approval. All of the uncertified carrier movements were included in carrier exception reports, but only half of the uncertified receipts of waste were included in the receiver exception reports. Regardless, ministry follow-up was generally inadequate for both types of exceptions, as there was no record of an inspection or incident report for 80% of the cases where unauthorized shipments or receipts were noted.
- We identified almost 900 registered hazardous waste generators that had no manifest activity for the last three consecutive years. Such a situation could indicate that hazardous waste, if not being accumulated on-site, was being shipped without the required documentation and disposed of inappropriately. The Ministry does not produce a report to highlight registered generators with no activity, nor were there procedures in place to ensure that carriers with no manifest activity were also being highlighted for possible investigation.
- We identified over 26,000 shipments of hazardous waste in 2005 where the quantity received was less than the quantity shipped by the generator. We traced a sample back to its original manifests and noted only one instance of data entry error. In all other cases no explanation was provided for the

discrepancy. The Ministry responded that the management system is designed to accept a 10% variance between quantity shipped and quantity received. However, over half of these waste shipments had variances in excess of 10%, with some as high as 90%. The Ministry did not conduct sufficient follow-up to ensure that the quantity of waste shipped was reasonable compared to the amount received.

- The Ministry relies on manifest data to determine how much waste is produced and disposed of in Ontario. However, because waste transfer stations are treated as both receivers and generators, a significant amount of hazardous waste is double-counted. The Ministry cannot determine how much hazardous waste has been double-counted and therefore does not have reliable information on the quantity of hazardous waste produced and disposed of in the province.

### RECOMMENDATION 3

To ensure that hazardous waste shipments are properly monitored to minimize risk to the public and the environment, the Ministry of the Environment should:

- follow up on all significant waste shipments that originate with unregistered generators;
- investigate all hazardous waste carriers and receivers that are not authorized by their certificates of approval to handle the hazardous waste manifested;
- review all registered generators with no manifest activity for extended periods of time to ensure that they are not involved in unauthorized waste shipment and disposal;
- investigate significant discrepancies between the amount of hazardous waste shipped and the amount received; and
- implement procedures to ensure that hazardous waste temporarily stored at a receiving



facility is not double-counted in determining the total hazardous waste produced in Ontario each year.

## MINISTRY RESPONSE

Hazardous waste carriers and receivers that are not authorized to handle manifested waste are identified through the current exception-reporting process and all district offices are required to follow up on every exception report.

As part of the inspection of carriers and receivers, the Ministry ensures that a valid certificate of approval has been obtained and that the conditions of the certificate are being complied with. This includes verifying that the carriers and receivers are authorized to handle the waste manifested.

Our planned inspection program will help to ensure that hazardous waste in the province is managed in a safe and responsible manner.

For example, as part of our 2007/08 inspection plan we will:

- inspect generators repeatedly manifesting waste without registering or whose registration has expired;
- inspect companies that have historically generated high volumes of waste but have significantly reduced their waste manifesting; and
- follow up on significant variances between the amount of hazardous waste shipped and the amount received.

## Storage and Disposal of Hazardous Waste

There are no accurate figures for the amount of hazardous waste produced in the province, but the Ministry estimates that approximately 370,000 tonnes of manifested hazardous waste are shipped to waste management facilities annually. In recent

years, Ontario has imported a significant amount of hazardous waste from the United States, which has stricter hazardous waste requirements, and from other provinces. This waste is disposed of in a major landfill site in the Sarnia area or transported to other waste management facilities to be processed into less hazardous or non-hazardous waste.

Much of the imported hazardous waste that is disposed of in the Sarnia landfill site remains untreated. In 2004, 177,000 tonnes of hazardous waste were deposited into this site. Of this amount, 79,000 tonnes were generated in Ontario and 98,000 tonnes were imported from the United States (73,000 tonnes) and other provinces (25,000 tonnes).

Pre-treatment requirements for depositing hazardous wastes at landfill sites have been in place in the United States since the mid-1980s. In 2005, Ontario Regulation 347 was amended to put in place restrictions that would eventually prohibit the disposal of untreated hazardous waste in landfill sites and require the waste to meet specific treatment standards. These new standards will be phased in and are expected to be fully in place by December 31, 2009. Once in place, they are expected to bring Ontario in line with stricter U.S. standards and therefore reduce the importation of hazardous waste from the United States and other provinces. Restrictions on the disposal of untreated hazardous waste in landfill sites are also expected to encourage industries to produce less hazardous waste because of the added costs of treatment. The amendment also sets new on-site storage rules that are intended to ensure that waste is stored appropriately and not indefinitely.

Some medical waste may be inappropriately disposed of in municipal waste systems. The Ministry informed us that the current definitions of medical waste in Ontario are outdated and provide little guidance for the health community to properly segregate municipal waste from waste that requires special attention, such as medically related waste.



As well, this lack of clarity could result in significant amounts of non-hazardous waste being treated as hazardous waste, which unnecessarily increases costs. One definition of medical waste was initially prepared in 1992 and issued as a ministry guideline. In 2001, the Ministry drafted a regulation for a new definition of medical waste, but certain sectors of the industry objected and the regulation has not been implemented. The new definition would have clearly identified the types of waste that require special handling and set out comprehensive treatment requirements. As well, it would have prohibited the disposal of pharmaceuticals and blood into municipal waste systems, which is allowed under the current regulation.

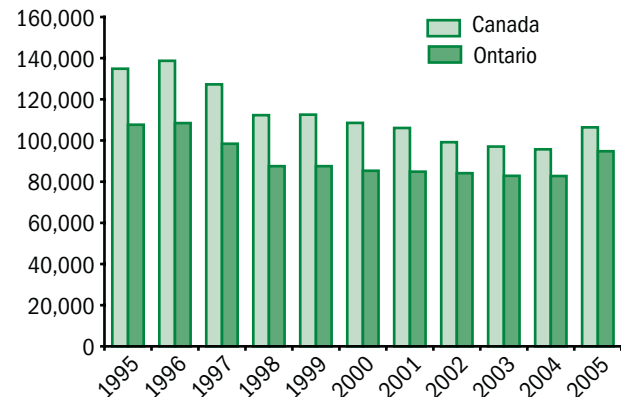
In addition to hazardous waste disposals, a significant amount of hazardous waste is stored at a number of facilities throughout the province—in particular, approximately 95,000 tonnes of polychlorinated biphenyls (PCBs) are stored at 479 sites. PCBs are industrial chemicals that are present in electrical equipment, heat exchangers, hydraulic systems, and several other specialized applications that were manufactured up to the late 1970s. They present a very serious hazard to human health and the environment. As a result, the federal government banned the importation, manufacture, and sale of PCBs, as well as their release into the environment. However, federal legislation has allowed owners of PCB equipment to continue using the equipment for the remainder of its service life. Environment Canada reports that despite reductions in PCB inventories since the implementation of regulatory controls, release of PCBs into the environment through spills and fires continues to occur.

In 2005, Ontario accounted for 90% of PCBs in storage across Canada. According to the Ministry, the Ontario government itself holds the largest inventory: approximately 73,000 tonnes of PCB waste.

As Figure 1 suggests, over the last 10 years, little progress has been made in the reduction of PCBs in storage. The Ministry drafted a regulation in 2001 for the destruction of PCBs in storage, but owing to concerns about the potential costs and the limited options for destruction, the regulation has not been implemented. In 2004, the Ministry considered but did not proceed with a regulation to require the destruction of all PCBs, including contaminated soil, by the year 2014. The Ministry confirmed that available treatment options have not been aggressively pursued because treating PCBs costs considerably more than storing them. However, although the Ministry has performed 500 PCB site inspections over the last three years, the continued storage of PCBs poses a risk to the public and the environment.

**Figure 1: PCBs in Storage, Canada and Ontario, 1995–2005 (tonnes)**

Source of data: Environment Canada



#### RECOMMENDATION 4

To help reduce the substantial risk that the disposal and storage of hazardous waste pose to the public and to the environment, the Ministry of the Environment should develop a strategy to resolve the concerns that have delayed regulatory amendments designed to reduce the risks posed by medical waste and PCBs.

## MINISTRY RESPONSE

The Ministry is currently considering whether to review the biomedical guidelines.

With respect to PCBs, in November 2006, the federal government released its proposal on a draft PCB regulation for public consultation. The proposed regulatory change would be phased in by December 31, 2009, to eliminate all PCBs and PCB-containing equipment currently in storage, and limit the amount of time PCBs can be stored before being destroyed.

The use of equipment containing PCBs at sensitive locations (for example, child-care facilities, schools, and hospitals) would also be prohibited starting December 31, 2009. Its use at all other locations will be prohibited as of December 31, 2014.

Environment Canada is currently reviewing comments received and is in the process of finalizing this regulation. Should their proposal proceed, PCBs in Ontario would fall under this framework.

### Household Hazardous Waste

Household hazardous waste includes such items as paint cans, solvents, antifreeze, used oil and filters, batteries, and pharmaceuticals. Under the *Environmental Protection Act* and its regulations, all wastes generated by households are excluded from the definition of hazardous waste and therefore can be disposed of in municipal landfill sites.

Between 1986 and 1995, the Ministry provided funding to municipalities to set up one-day collection events or permanent depots in an effort to divert household hazardous waste from municipal landfill sites. The number of temporary or permanent collection depots has increased over time. In 2005, 89 municipalities, serving a population of 11.4 million people, managed to recover 15,800

tonnes of household hazardous waste through collection programs, of which more than 50% was recycled. However, the Ministry cannot measure the true effectiveness of these special collection programs because it does not know the total amount of hazardous waste produced by households, and hence the portion diverted from municipal landfill sites.

Although most major centres have permanent drop-off locations, there is a concern with how well known and accessible they are to the public. Home pickup or curbside collection of household hazardous waste could result in diverting more of this waste because of the convenience for homeowners. Currently, according to the Ministry, only two municipalities (Toronto and Sudbury) offer any form of home pickup for hazardous materials.

Depots that collect and dispose of household hazardous waste must obtain certificates of approval from the Ministry specifying the types of hazardous waste they will accept, register as generators for each hazardous waste type they will accept, and submit manifests when moving waste from the collection depot to the final disposal site. Such depots are open to the public but are not found in all areas of the province and can only collect and dispose of the types of waste specified in their certificates of approval.

Waste Diversion Ontario (WDO) was created in 2002 under the *Waste Diversion Act* as a partnership between the Ministry, industry, municipalities, and non-governmental organizations. WDO's mandate is to develop, implement, and operate waste diversion programs for a wide range of materials. By the time of our audit, WDO had developed a program for recycling paper, and was in the process of developing a waste diversion program for electronic equipment. In 2006, the Minister of the Environment prescribed Municipal Hazardous or Special Waste as a designated waste under the *Waste Diversion Act*. Shortly after, the Minister directed Waste Diversion Ontario to develop and fund a waste

diversion program for household hazardous waste, to consider financial or other incentives to encourage reuse or recycling of household hazardous materials, and to increase the number of collection sites. The government has also asked WDO to support the program through educational and public awareness activities.

### RECOMMENDATION 5

To build on its recent initiatives for the disposal of household hazardous wastes, the Ministry of the Environment should work with Waste Diversion Ontario and municipalities on a province-wide strategy for reducing the impact of household hazardous waste on the environment.

### MINISTRY RESPONSE

In December 2006, the Ministry directed Waste Diversion Ontario to develop an industry-funded diversion program plan to enhance the proper management of Municipal Hazardous or Special Waste. The program plan was received and posted on the Environmental Registry for a 30-day public comment period on June 11, 2007. The proposed program addresses both the collection of unused material as well as consumer education regarding proper handling and use. The Ministry is currently reviewing comments received.

## INFORMATION AND REPORTING SYSTEMS

### Hazardous Waste Information Systems

The Ministry uses two management information systems to track the movement of hazardous waste from waste generators to receivers. These two systems are the Hazardous Waste Information System

(HWIS) and Hazardous Waste Information Network (HWIN). HWIS was implemented in the early 1990s, and information from paper documents is manually input into this system. Such documents include generator registration forms and manifests that detail hazardous waste movements from one location to another. HWIN, a fully electronic system, was developed in 2002 to replace the older HWIS system. Information was to be electronically input into the new system directly from generators, carriers, and receivers of hazardous waste. The two systems annually process 24,000 registrations and more than 220,000 manifests.

In 2003, shortly after the new system was developed, we audited it and noted a number of concerns, the most significant of which was that the new system could not accept manually input information from paper documents. If any one of the parties to a manifest transaction (24,000 generators, 800 carriers, and 800 receivers) did not have the capability or inclination to submit information to HWIN electronically, the entire multi-part manifest would have to be manually input into the old system and electronically transferred to the new system. In our 2003 audit, we found that over 99% of the hazardous waste manifests were being manually input into the old system. At that time, we indicated that resolving this issue was critical to the success of the new HWIN system. However, during our current audit we found that the proportion of manifests submitted electronically had actually decreased, and the old system was now processing 99.9% of the manifests generated.

Since HWIN has not been successfully implemented, the originally perceived benefits have not been achieved. For example, timely information is not available to the Ministry's enforcement staff to help ensure that hazardous waste is transported in compliance with legislation. At an estimated annual cost of \$250,000, the Ministry must devote staff to manually input virtually all hazardous waste manifests. The Ministry must also absorb the costs

of maintaining two systems simultaneously that are intended to perform the same function. In addition, ministry staff from various branches informed us that even if the industry were able to submit electronic manifests, they did not believe the new system was capable of handling the job. Finally, ministry staff indicated that the previous system had better and more user-friendly analytical and reporting capabilities to enable them to focus their activities on high-risk areas.

In 2005, the Ministry hired an external consulting firm to evaluate the hazardous waste information systems and conduct an assessment of the alternatives. The consultant's report stated that both systems underperformed and neither system supported the needs of the Ministry's enforcement, operational, and policy areas, nor the needs of the hazardous waste industry. The consultant recommended the development of a new system to manage hazardous waste information, but stated that such a system could cost as much as \$100 million.

## RECOMMENDATION 6

To ensure that management and inspection staff have reliable and relevant information for monitoring whether hazardous waste is transported and disposed of in accordance with legislation, the Ministry of the Environment should:

- identify its key information needs;
- consider how other jurisdictions obtain similar information; and
- formulate a business case that outlines the cost and benefits of various alternatives to meeting its information requirements.

## MINISTRY RESPONSE

The Ministry agrees that the Hazardous Waste Information System should ensure that operational areas are supported and recognizes that technology support is essential to its environmental-protection efforts. There is work

under way as part of a multi-year initiative to modernize the Ministry's environmental systems and look for efficiencies. This will enhance data integration and business-driven information systems, and enable systems like the Integrated Divisional System to interface with others such as the Ministry's Hazardous Waste Information Network.

The Ministry recognizes that enhancing communication between our technology systems will improve our ability to track and analyze information. The Ministry is currently examining its business architecture to identify a manageable and economically prudent approach to meeting its technology and information requirements. As part of this examination, the Ministry will consider the experience and approaches of other jurisdictions with similar hazardous-waste-management requirements.

## Measuring and Reporting Program Effectiveness

One of the government's key priorities, as noted in its 2005/06 annual plan, is to achieve better health for Ontario residents by preventing and reducing illness from environmental pollution. Properly managing hazardous waste can help achieve this priority. The Ministry has stated that promoting waste reduction, recycling, and environmentally safe disposal would improve the management of Ontario's hazardous waste. However, the Ministry has not developed formal measurable objectives for the hazardous waste program.

The Ministry had established one performance measure for the hazardous waste program, that is, the percentage of hazardous waste recycled. However, the performance measure was established without a stated target. According to the Ministry, a detailed assessment of the hazardous waste generated is required to determine which

hazardous wastes have the potential to be diverted to recycling and to measure estimated increases in recycling rates. The Ministry had other performance measures in the past, such as reducing PCBs in storage and reporting on the trend in the number of non-compliance charges laid, but these measures were not reported from one year to the next, not followed up in subsequent years with any results, or not reported in relation to hazardous waste.

The Ministry does not provide the public with any quantifiable assessment of how well it is managing hazardous waste in Ontario. We noted that other provinces publicly report on a number of activities that clearly show trends in how well they manage hazardous waste, to reduce risk and highlight areas that require increased efforts. For example, British Columbia reports trends in PCB contamination in fish, wildlife, and soil samples throughout the province as well as what is being done to help reduce this contamination. Manitoba reports trends in the collection of household hazardous waste and reported that government initiatives resulted in the collection of 559 tonnes of household hazardous waste in 2005/06, a 12% increase over the previous year. Alberta reports a positive trend in the amount of hazardous waste recycled annually over the past 15 years but cautions that overall there is an upward trend in the amount of hazardous waste produced in the province. The report goes on to outline what is being done to reverse this negative trend.

## RECOMMENDATION 7

To enhance ministry decision-making and provide the public with information on its success in managing hazardous waste, the Ministry of the Environment should:

- establish more comprehensive performance measures for hazardous waste management;
- review the performance measures for hazardous waste management used by other jurisdictions for applicability to Ontario; and

- publicly report on those measures.

## MINISTRY RESPONSE

The Ministry is committed to continuous improvement in its programs and will continue to review its performance measures and look to ways to ensure that adequate performance measures are implemented and information needs are met. As part of this commitment, the Ministry will examine the experiences and approaches of other jurisdictions to determine appropriate performance measures.

## FINANCIAL ASSURANCE AND REVENUE

### Financial Assurance

Under the *Environmental Protection Act*, the Ministry may require carriers and receivers of hazardous waste to provide financial assurance as a condition of a certificate of approval or pursuant to a director's order or a regulation. The purpose of financial assurance is to provide the Ministry with financial security to ensure that the taxpayer is not financially responsible for the costs of dealing with spills and leakage of hazardous waste as well as the decommissioning, cleanup, rehabilitation, monitoring, and perpetual care of facilities such as waste processing and disposal sites.

Financial assurance can be provided to the Ministry in the form of cash, irrevocable letters of credit, surety bonds, a letter of guarantee, marketable securities, or any other collateral acceptable to the Ministry. As of April 2007, the Ministry held \$150 million in financial assurance for over 700 carriers and receivers of hazardous and non-hazardous waste, with the security held ranging from \$270 to \$8.9 million. A majority (85%) of the financial assurance held by the Ministry was for hazardous waste disposal sites. Letters of credit (for



over \$110 million) were the most common form of security held by the Ministry.

The requirement of financial assurance is often at the Ministry's discretion. While all mines in the province are required to provide financial assurance to cover mine closure costs, the Ministry does not know what percentage of waste management carriers and receivers have been required to provide financial assurance. In a sample of certificates we reviewed, only 60% were required to provide financial assurance.

For the certificates that did require financial assurance, we had the following concerns:

- Financial assurance is not always being collected when required. Almost 30% of the applications we sampled provided financial assurance to the Ministry after the date required—in one case, as late as five years, because the company disputed the amount of assurance required. In two other cases, financial assurance was never provided, yet the entities were still allowed to operate. The January 2007 Financial Assurance Variance Report, which is used to track outstanding amounts, indicated that \$3.4 million in financial assurance was outstanding for more than six months from 24 certificate holders.
- There was no process in place to ensure that the amount of financial assurance required is being reassessed on a regular basis. Only half of the certificates sampled that required financial assurance stipulated that the amount be reassessed on a regular basis. Of those that did require regular reassessment and whose review period had arrived, only 40% had been reassessed.
- Financial assurance collected may not be sufficient to fund potential cleanup costs. In such cases, the Ministry and in turn the taxpayer may become liable for such costs. For example, a chemical company had provided the Ministry with financial assurance totalling

\$3.4 million for an on-site landfill, but after the company experienced problems with leakage, the cleanup costs were estimated at \$64 million.

## RECOMMENDATION 8

To ensure that the hazardous waste operator, rather than the taxpayer, is responsible for financing cleanup costs from hazardous waste contamination, the Ministry of the Environment should:

- consider whether all hazardous-waste-management carriers and receivers should be required to provide financial assurance;
- collect financial assurance prior to issuing a certificate of approval; and
- periodically review whether financial assurance on hand is sufficient to cover potential spills and future costs of cleanup, waste removal, and disposal.

## MINISTRY RESPONSE

The Ministry has a guidance document available to explain when financial assurance is required and how it is determined. A second guidance document is to be available in November 2007 to provide current cost information to determine the appropriate amount of financial assurance that will be collected prior to issuing a certificate of approval. To ensure that financial assurance amounts are being reassessed on a regular basis, new and amended certificates of approval requiring financial assurance will include a standard condition for annual re-evaluation of financial assurance amounts.

The Ministry is reviewing financial assurance for all hazardous waste files, and this review will include verification of appropriate financial assurance. The risk of costs to taxpayers for cleaning up contaminated sites will be reduced as a result of this work.



## Hazardous Waste Fees

Pursuant to Regulation 347 under the *Environmental Protection Act*, hazardous waste generators are required to pay the Ministry \$50 for registration, \$5 per manifest, and disposal fees of \$10 per tonne of hazardous waste. These fees came into effect January 1, 2002, and, as reported to the Management Board of Cabinet, were expected to be sufficient to fully recover the costs relating to the management of hazardous waste in the province and to encourage generators to reduce the amount of hazardous waste they produce. Certain waste generators are exempt from all fees—household hazardous waste depots, contaminated sites, and sites requiring emergency generator registration.

The registration fee is due at the time of registration. Various payment options exist for manifest and tonnage fees, but the general principle is that they must be paid before any waste is shipped. Any outstanding balances must be settled before a generator can re-register the following year. Fees collected in the last five years are shown in Figure 2.

We reviewed the Ministry's management of hazardous waste fees; some of the issues we noted are as follows:

- Hazardous waste fees were developed with the intent to fully recover the Ministry's costs relating to the management of the Hazardous Waste Program, including costs associated with monitoring, compliance, and enforcement.

However, we noted that hazardous waste fees generated significantly less revenue than originally anticipated. For example, in the 2004/05 and 2005/06 fiscal years, the only years for which hazardous-waste-related expenditures were disclosed separately, the Ministry spent \$30.6 million to administer the program and collected only \$12.4 million.

- The Hazardous Waste Information Network (HWIN), one of the management information systems used by the Ministry, does not always identify those generators that have yet to pay their fees. According to the Ministry, HWIN automatically flags generator registrations as expired once the February 15 deadline passes for registration and the generator has not renewed its registration. We identified a number of generators that were still registered in the system even though they had not made any payments for 2006. Ministry staff advised us that these registrations should have been marked as expired in HWIN and that the error was caused by a flaw in the system software.
- The Ministry relies on the HWIN system to accurately calculate fees and does not reconcile the amount of fees received with the registration, manifest, and disposal activity recorded in the system. The Ministry could not demonstrate that the total fees collected were reasonable—based on the actual hazardous waste activity recorded in the system over

**Figure 2: Hazardous Waste Fees Collected Annually (\$ thousand)**

Source of data: Ministry of the Environment

	Calendar Year					5-year Total
	2002	2003	2004	2005	2006*	
registration fees	1,103	1,048	1,253	1,274	1,224	5,902
manifest fees	511	1,137	1,076	1,115	870	4,709
tonnage fees	2,483	4,339	4,445	4,523	3,344	19,134
<b>Total</b>	<b>4,097</b>	<b>6,524</b>	<b>6,774</b>	<b>6,912</b>	<b>5,438</b>	<b>29,745</b>

\*11 months; based on the most current data available

the last five years—because the system does not generate the information needed to do so.

- Fees are payable by generators whether they dispose of hazardous waste on their own property or off-site. The amount of waste disposed of off-site is recorded on manifest documents that are signed by the receiver as evidence of third-party verification. The amount of waste disposed of on-site over the course of a calendar year is to be reported to the Ministry by the generator at the time of re-registration, although no third-party confirmation is required. All generators that dispose of waste on-site must obtain certificates of approval, and related details are stored in the Integrated Divisional System (IDS). The HWIN system calculates on-site disposal fees based on information submitted by the generator, but if a generator does not report its on-site disposals, the Ministry cannot interface the HWIN system with IDS to identify generators that have failed to report their activities and pay the fees due.
- At December 31, 2005, HWIN showed an outstanding balance of \$1.3 million in fees receivable. The Ministry could not provide us with a breakdown of receivables by generator or a report showing how long these debts had been outstanding. Without such details, the Ministry cannot initiate collection efforts in an efficient manner. The Ministry stated that no balance could be outstanding for longer than one year because a generator must settle outstanding balances upon annual re-registration. However, not all generators re-register on a timely basis. For example, any balances owing by the 12,000 generators that registered in 2004 but not in 2005 would still be outstanding.

## RECOMMENDATION 9

To ensure that hazardous waste fees are sufficient to recover program costs, are accurately recorded, and are collected on a timely basis, the Ministry of the Environment should:

- review the objectives of the fee structure to ensure that the original objective of fully recovering program costs is still realistic and, if so, assess the adequacy of fees in offsetting program costs;
- establish controls to ensure that the Hazardous Waste Information Network (HWIN) reliably identifies unpaid registration fees;
- periodically assess the reasonableness of total fees collected as compared to expected fees based on the number of registrations and manifests and the tonnage of hazardous waste disposals;
- implement procedures to ensure that all generators certified for on-site disposal submit fees as required; and
- enhance the HWIN system so that it can calculate and identify outstanding debt by generator and track the amount of time debt has been outstanding, so that collection efforts can focus on generators with significant balances that have been outstanding for extended periods of time.

## MINISTRY RESPONSE

The Ministry has begun a review of the hazardous waste cost recovery program.

To identify unpaid registration fees, the Ministry posts outstanding fee balances to each generator's account as paper manifests are entered to HWIN. The Ministry will enhance HWIN's ability to calculate outstanding debt and report on how long the debt has been outstanding, and will review fee-collection options to recover outstanding fee balances.

## COMPLIANCE

### Selection of Facilities for Inspection

For the administration of the *Environmental Protection Act* and its regulations, ministry compliance staff may inspect any hazardous waste generator, carrier, or receiver governed under the Act.

Compliance staff at ministry district offices and in its Sector Compliance Branch perform inspections to help ensure compliance with hazardous waste legislation and ministry policy. If compliance cannot be achieved by district or branch staff, violators are referred to the Ministry's enforcement staff for further investigation and, if necessary, prosecution.

Compliance staff at district offices perform ongoing inspections of hazardous waste facilities in their local areas. The inspections conducted are program-specific and focus on one responsibility, such as hazardous waste, as opposed to water contamination or air pollution. Districts conduct four types of waste inspections—on hazardous waste generators, carriers/processing sites, PCB storage sites, and disposal sites/facilities. Figure 3 shows the declining number of inspections conducted by ministry district offices over the last three years.

The Ministry's Sector Compliance Branch complements the inspection work of its district offices by conducting province-wide inspections of selected industrial sectors. Each inspection includes, if applicable, all program areas such as air, water, sewage, and waste. Hazardous waste is the primary concern in the waste management

industry sector, but hazardous waste is also generated by many other industry sectors that produce pollutants that may be an equal or greater threat to the environment. The Sector Compliance Branch also conducts roadside inspections of waste carriers. Figure 4 shows the inspections conducted by the branch over the last three years.

We reviewed the processes that three district offices and the Sector Compliance Branch used to determine which hazardous waste generators, carriers, and receivers were to be inspected and noted the following:

- At district offices, hazardous waste facilities were assigned one of three levels of risk—A, B, and C—with A being the riskiest. For the three districts we visited, for the 2006/07 fiscal year, the breakdown of hazardous waste facilities selected for inspection by risk category was 10% A (high-risk) facilities, 60% B (medium-risk) facilities, and 30% C (low-risk) facilities. Three times as many low-risk facilities were selected for inspection as high-risk facilities. District staff informed us that there is no requirement to select a certain number of facilities from each risk category. The only annual requirement is to conduct a specified total number of inspections. To set targets in such a manner could lead to the selection of facilities based on the amount of time required and the avoidance of complex, high-risk, and time-consuming inspections.

**Figure 3: District Office Hazardous Waste Inspections by Type, 2003/04–2005/06**

Source of data: Ministry of the Environment

Fiscal Year	Hazardous Waste Generators	Carriers/ Processing Sites	PCB Storage Sites	Disposal Sites/Facilities	Total District Inspections
2003/04	613	104	262	26	1,005
2004/05	557	73	163	27	820
2005/06	516	46	77	21	660
<b>Total</b>	<b>1,686</b>	<b>223</b>	<b>502</b>	<b>74</b>	<b>2,485</b>

**Figure 4: Sector Compliance Branch (SCB) Hazardous Waste Inspections by Type, 2003/04–2005/06**

Source of data: Ministry of the Environment

Fiscal Year	Hazardous Waste Generators	Carrier Vehicle Inspections	Hazardous Waste Receivers	Total SCB Inspections
2003/04	122	583	21	726
2004/05	52	508	5	565
2005/06	153	506	17	676
<b>Total</b>	<b>327</b>	<b>1,597</b>	<b>43</b>	<b>1,967</b>

- The risk analysis used by the Sector Compliance Branch to select industrial sectors for inspection was out of date. The 2006 ranking was based on data collected from 1996 to 2000. Branch staff informed us that the risk ranking was just a tool, and that they considered other factors when selecting sectors, such as informed judgment and ministry priorities. However, since the inception of the Sector Compliance Branch in 2000, only four of the 20 sectors that produce the most hazardous waste have been inspected.
- The Sector Compliance Branch had identified several sectors it had not inspected, such as the transportation, hospitals, and electric-power sectors. The hospitals and electric-power sectors have specific hazardous waste requirements that require monitoring for compliance. Also, in our discussions, the Ministry confirmed that it had not followed up with the federal government to ensure that federally regulated sectors such as transportation had been inspected for environmental violations. Such follow-up could ensure that federally regulated sectors comply with provincial requirements.
- Both the district offices and the Sector Compliance Branch identified for inspection only those facilities registered with the Ministry, instead of considering other potential candidates such as manufacturers or carriers currently not registered with the Ministry.

Consequently, there is no process in place to identify and inspect possible unregistered facilities.

- Ministry staff informed us that the Sector Compliance Branch and district offices co-ordinate their efforts when selecting facilities for inspection, but we saw no documented evidence of this co-ordination. Using information submitted to the Ministry by registered generators, we identified the 30 facilities that generated the most hazardous waste and found that 11, or over one-third, had not been inspected by either the Sector Compliance Branch or district offices since 2002.

## RECOMMENDATION 10

To enhance the effectiveness of its inspection process, the Ministry of the Environment should ensure that its facility selection process is based on potential risk to the environment by:

- using the formalized risk-based selection process already developed for the district offices and selecting facilities for inspection based on documented risks;
- updating its risk analysis for the Sector Compliance Branch;
- including all potential hazardous waste generators, carriers, and receivers in its risk assessment processes; and

- ensuring that district and branch co-ordination efforts result in all high-risk facilities being inspected periodically.

## MINISTRY RESPONSE

The Sector Compliance Branch (SCB) inspections are aligned with district inspections and their risk-analysis framework has been updated. Districts and SCB are now co-ordinating inspection plans to ensure that high-risk facilities and underperforming facilities receive our attention.

Our planned inspection program helps to ensure that hazardous waste in the province is managed in a safe and responsible manner. In addition to the strategies outlined in our response to Recommendation 3, in 2007/08 we plan to:

- inspect high-risk facilities;
- follow up on generators, receivers, and carriers that have exception reports in the Hazardous Waste Information Network; and
- ensure that the facilities generating the most hazardous waste have had an inspection within the last two years.

This approach will ensure that all inspection and compliance activities are co-ordinated and consistent. We will take strong action to identify and follow up with generators, carriers, and receivers that are out of compliance.

## Inspections of Hazardous Waste Facilities

Over the past three years, ministry district offices and the Sector Compliance Branch have performed about 4,500 inspections of hazardous waste generators, carriers, and receivers. While the number of inspections done annually has been declining over the last few years, there are still a significant number of inspections performed. Inspections have indicated that there is a significant level of non-compliance in every sector of the hazardous waste industry, as noted in Figure 5.

Compliance rates between district offices and the Sector Compliance Branch are not directly comparable because the two groups do not assess compliance in the same manner. District offices often record administrative violations (such as lacking a manifest or operating without a certificate of approval) as a “pass” and notify facilities in advance of upcoming inspections. The Sector Compliance Branch performs surprise inspections and assigns a “pass” rating to facilities in compliance, “administrative fail” to facilities in non-compliance with administrative requirements, and “fail” to facilities in non-compliance where there exists the potential to harm human health or the environment. For the 2006/07 fiscal year, the district offices began using the rating “pass with comment” for administrative failures. We question whether some administrative non-compliance matters, such as operating without a certificate of approval, should be considered a

**Figure 5: Percentage of Non-compliance Rates in the Hazardous Waste Industry, 2003/04–2005/06**

Source of data: Ministry of the Environment

Fiscal Year	Inspections by District Offices				Inspections by Sector Compliance Branch*	
	Hazardous Waste Generators	Carriers/ Processing Sites	PCB Storage Sites	Disposal Sites/Facilities	Hazardous Waste Receivers	Carrier Vehicle Inspections
2003/04	38	41	22	32	100	11
2004/05	32	48	18	56	94	11
2005/06	34	46	21	71	67	15

\* excludes hazardous waste generators from other sectors (as noted in Figure 4), because ministry data cannot distinguish hazardous waste violations from violations related to other ministry programs such as air, water, and sewage



pass. Overall, at the district level, at least one-third of the industry is non-compliant in some significant area, and no improvement has been evident in this figure over the last three years. Other inspection concerns noted were as follows:

- The Ministry developed the Informed Judgment Matrix in December 2004 to provide guidance to inspectors on the appropriate enforcement methods to use with regard to the severity of the violation. Severity is assessed in terms of the impact on human health or the environment. Enforcement methods available to inspectors include a notice of violation, an order to correct non-compliance, a ticket that carries a maximum fine of \$500, and referral to the Ministry's enforcement staff for investigation that could lead to charges and, eventually, prosecution. While the matrix is a good initiative, we reviewed a sample of inspections conducted in 2005 and found that the recommended enforcement method had not been used for almost 20% of the Sector Compliance Branch's inspections and 30% of the district office inspections.
- We noted that district offices used more lenient enforcement methods than the Sector Compliance Branch. The Sector Compliance Branch typically issued a violation notice (which is a notification to comply) or a provincial officer order (which places a legal obligation on the recipients to comply) for inspections that received a rating of "fail" or "administrative fail." In contrast, in 70% of district inspections with a "fail" rating, facilities were not issued a similar notice or order but rather received a copy of their inspection report with an attachment outlining actions required to correct non-compliance. Similar violations should result in the use of similar enforcement methods.
- Inspection of trucks hauling hazardous waste involves ensuring that haulers have the proper manifest documents on board and certificates of approval that authorize them to transfer the type of waste noted on the manifests. However, inspectors do not verify the weight or contents of the vehicle as recorded on the manifest. The Ministry confirmed that inspectors do not test-sample the contents of vehicles and that the Ministry has not made any attempts to co-ordinate its inspection efforts with the truck weigh scales operated by the Ministry of Transportation.
- Facilities found to be non-compliant are required to take corrective action. For the sample we tested, the Sector Compliance Branch typically provided deadlines for compliance, but 35% of the non-compliant facilities identified by the district offices were not given a deadline to put corrective actions in place. Of those facilities for which a deadline was set, over half did not achieve compliance within the required time frame. The average time taken for these facilities to achieve compliance was over 200 days for two of the district offices tested. In addition, over 40% of the files we sampled at district offices had had similar violations in earlier inspections. The Ministry gave these repeat violators more severe penalties in only 20% of the cases tested. In more than half of the cases reviewed at the district offices and the Sector Compliance Branch, facilities were instructed to send only a letter by the compliance date to indicate whether they were in compliance, with no requirement to present third-party confirmation. Overall, the follow-up methods used were not adequate to ensure that non-compliant facilities corrected the identified deficiencies within the required time period.

## RECOMMENDATION 11

To ensure that inspections of hazardous waste generators, carriers, and receivers effectively encourage compliance with legislation and policy, the Ministry of the Environment should:

- develop a consistent approach to rating the level of compliance found during its inspections;
- include surprise visits in its district office inspection process;
- apply enforcement methods consistent with the degree of non-compliance;
- periodically verify the contents and weight of a sample of vehicles that transport hazardous waste;
- implement a formal strategy for timely follow-up of non-compliant facilities; and
- review its processes to determine what other corrective actions to take to increase the level of compliance within the hazardous waste industry.

## MINISTRY RESPONSE

As part of its regular review and update of the compliance program, the Ministry will consider how to ensure that the program continues to

address hazardous waste generators, transporters, and processes, and how to move toward full compliance with legislation and policy.

In 2007/08, the Ministry will review the reporting methodology and differences in compliance assessment done by the Sector Compliance Branch and district offices with a goal to achieve consistency in our compliance assessment.

District staff conduct frequent unannounced visits as part of ongoing abatement activities or responses to complaints. The Ministry will review these activities and consider how to integrate them into our compliance plan.

The Ministry will undertake periodic verification of the content and weight of a sample of vehicles that transport hazardous waste.

The Ministry follows up on non-compliance and determines corrective actions on a case-specific basis, and may consider willingness, demonstrated progress on environmental projects or compliance, or repeat offences in this process. We will work to improve our compliance activities and incorporate lessons learned into future inspection programs and compliance actions.

## Chapter 3

### Section 3.09

# Hospitals—Management and Use of Surgical Facilities

## Background

Public hospitals in the province are generally governed by a board of directors and are, for the most part, incorporated under the *Corporations Act*. The *Public Hospitals Act* and its regulations provide the framework within which hospitals operate and set out the responsibilities of hospital boards and their medical committees regarding the quality of patient care provided by the hospital. The board is responsible for the hospital's operations. As well, each hospital is responsible for determining its own priorities to address patient needs in the communities it serves. Under the *Ministry of Health and Long-Term Care Act*, the Minister of Health and Long-Term Care's (Minister's) duties and functions include governing the care, treatment, and services and facilities provided by hospitals. As well, the Minister is responsible for administering and enforcing the *Public Hospitals Act* and its regulations.

The *Local Health System Integration Act, 2006* provides for an integrated health-care system to improve the health of Ontarians through better access to health services, better co-ordination of health care both locally and across the province, and effective and efficient management of the health-care system at the local level by 14 Local Health Integration Networks (LHINs). Effective

April 1, 2007, the LHINs assumed responsibility for prioritizing, planning, and funding certain health-care services, including the funding of hospitals, and, as of that date, hospitals report to their LHIN rather than directly to the Ministry of Health and Long-Term Care (Ministry).

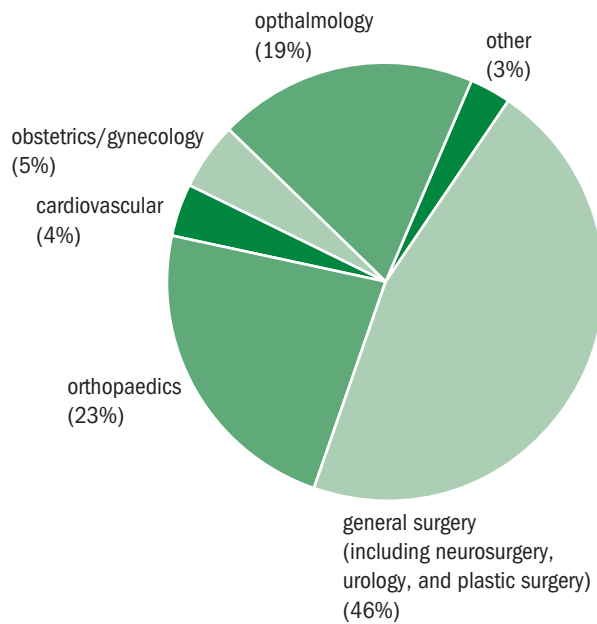
The Ministry provides approximately 85% of total hospital funding, some of which can only be used for specified purposes. Other funding sources may include, for example, semi-private and private accommodation charges, and funds from donations. In the 2006/07 fiscal year, the total operating cost of the over 150 hospital corporations was approximately \$19 billion.

Hospitals perform various types of surgeries, with some hospitals, such as teaching hospitals, specializing in certain types of surgeries. Efficient and effective surgical processes are needed to maintain safe, high-quality patient care while making the best use of human and financial resources.

According to the Ministry, about 844,000 surgical procedures were performed at Ontario hospitals in the 2006/07 fiscal year (see Figure 1 for a breakdown by type of surgery), of which 35% required an in-patient stay at the hospital and 65% were performed on an out-patient basis. As well, hospitals also performed over 135,000 other diagnostic procedures, such as biopsies and imaging, in their operating rooms in 2006/07. Hospitals are not

**Figure 1: Types of Surgical Procedures Performed in Ontario Hospitals, 2006/07**

Source of data: Ministry of Health and Long-Term Care



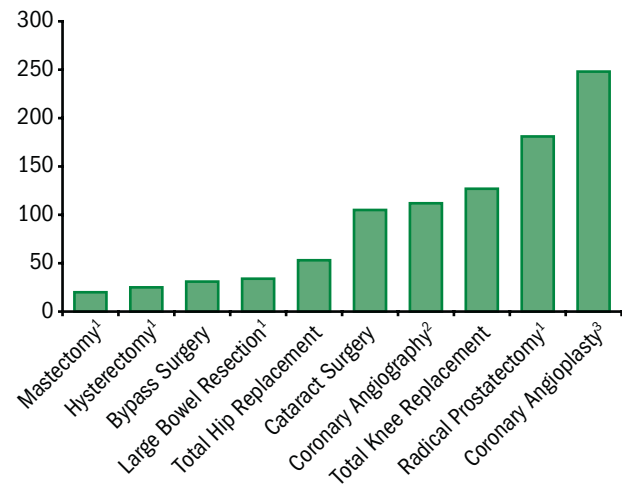
required to report their number of operating rooms to the Ministry; province-wide information on the number of operating rooms is therefore not available. According to the Ministry, hospital operating room expenditures, including nurses' salaries and medical supplies, totalled approximately \$1.2 billion in the 2006/07 fiscal year. This excludes most physicians' services, such as surgeons' services, that are provided to hospital patients and paid for by the Ministry to physicians through the Ontario Health Insurance Plan (OHIP).

As Figure 2 illustrates, the demand for selected surgeries has continued to increase, according to various studies, primarily because of a growing and aging population, technological innovations, and an increase in the patient conditions that can be treated through surgery.

We conducted audit work at three hospitals, which performed about 44,000 surgical procedures in their 42 operating rooms during the 2006/07 fiscal year. During this period, operating room expenditures at these hospitals totalled approximately \$65 million.

**Figure 2: Increase (%) in Annual Number of Selected Surgical Procedures in Ontario, 1994/95–2004/05**

Source of data: Institute for Clinical Evaluative Sciences



1. cancer-related surgeries

2. angiography: an x-ray examination (using a catheter to inject a fluid visible by x-ray) of the blood vessels or chambers of the heart to determine the degree of heart disease and the extent of coronary artery narrowing and blockage

3. angioplasty: insertion of a catheter with a small balloon tip into a narrow or blocked artery to widen it and restore blood flow, after which a small metal mesh tube, called a stent, is typically inserted and left in the artery

## Audit Objective and Scope

The objective of our audit was to assess whether selected hospitals had adequate policies and procedures in place to ensure the efficient management and use of surgical facilities to meet patients' needs.

We conducted our audit work at three hospitals of different sizes that provide services to a variety of communities: Toronto East General Hospital, St. Joseph's Healthcare Hamilton (with surgical sites in Hamilton and Stoney Creek), and Sudbury Regional Hospital (with surgical sites in Sudbury at St. Joseph's Health Centre and Memorial). In conducting our audit, we reviewed relevant files and administrative policies and procedures, interviewed appropriate hospital and ministry staff, and reviewed relevant research, including best practices for the management of surgical services in other

jurisdictions. We also reviewed reports on surgical processes that had been prepared by consultants engaged by the hospitals we visited. As well, we received and reviewed information from the Ministry's Wait Time Strategy and the Cardiac Care Network on certain surgical procedures. In addition, we discussed the management of surgical services in Ontario with representatives of the Ministry of Health and Long-Term Care's (Ministry's) Surgical Process Analysis and Improvement Expert Panel. We also engaged the services of independent consultants, with expert knowledge in surgical facility management, on an advisory basis.

We did not rely on the Ministry's internal audit service team to reduce the extent of our audit work because it had not recently conducted any audit work on surgical services within hospitals. None of the hospitals we visited had an internal audit function.

## Summary

All of the hospitals we visited were managing the use of their surgical facilities well in some areas. We also noted that the Ministry of Health and Long-Term Care (Ministry) has introduced several encouraging initiatives in connection with its Wait Time Strategy designed to help hospitals improve their surgical processes. However, the Ministry did not have information available on the overall capacity of hospitals' surgical facilities, the total number of patients waiting for required surgery, or the type of surgery they were waiting for. Furthermore, the hospitals we visited needed to better utilize their surgical facilities to reduce patient wait times.

Some of our more significant observations on the management and use of surgical facilities include the following:

- The hospitals we visited had all implemented procedures to prioritize urgent surgical

cases and to screen elective patients prior to surgery. As well, the Ministry had established various expert panels and coaching teams to work with hospitals in improving the management of their surgical facilities and resources. The Ministry had also initiated various pilot projects, including those to centralize patient referral and assessment. Such centralization is aimed at providing patients with the option of choosing a surgeon with the shortest wait list and determining whether surgery is the most appropriate course of action.

- The Ministry did not have information available on the number of hospital operating rooms in Ontario and the hours they were in use. Without this information, it is difficult for the Ministry or Local Health Integration Networks to determine whether operating room capacity is sufficient to meet the surgical needs of Ontarians. At the hospitals we visited, operating rooms generally were not used for elective surgery on weekends or statutory holidays. As well, an average of about 12% of operating rooms were not used on most weekdays in 2006, and, for approximately nine weeks during the summer of 2006, only about 60% of the operating rooms at these hospitals were used during weekdays, owing primarily to planned closures to accommodate vacation time.
- The operating room time available to each surgeon at the hospitals we visited was based primarily on the time allocated to that surgeon in prior years, rather than on other factors such as patients' needs and hospital priorities.
- Two of the hospitals maintained information on whether the hospitals' urgent emergency cases had their surgery within hospital-established time frames. This information indicated that most urgent emergency cases



did, although about 13% of non-emergency but urgent (for example, acute appendicitis) patients did not.

- The Ministry's Surgical Process Analysis and Improvement Expert Panel noted that all patients who have similar clinical conditions and are scheduled for similar surgical procedures should be screened in a similar manner regardless of who the surgeon or anaesthesiologist is. However, despite clinical guidelines indicating that most medically stable patients undergoing low-risk surgeries do not require a pre-operative electrocardiogram (ECG) or chest x-ray, research indicated that the rate of ECGs and chest x-rays conducted in Ontario hospitals prior to surgery varied significantly for patients undergoing low-risk procedures.
- According to the wait time funding agreement between hospitals and the Ministry for the 2006/07 fiscal year, hospitals are to ensure that no patient waits for surgery longer than 10 months without a reassessment by his or her surgeon. However, none of the hospitals we visited had followed up with the applicable surgeons to ensure that patients who had waited longer than 10 months were reassessed. For example, at one hospital, 67% of low-priority hip-replacement patients waited longer than the targeted time frame, with some patients still waiting after three years. As well, patient wait times from the date of the family physician's referral to the date of the patient's appointment with the surgeon are not tracked and therefore are not included in the 10-month wait.
- We noted that the timeliness of surgery varied significantly in some cases, depending on the hospital in which the surgery was done or the Local Health Integration Network in which the hospital was located. For example, some hospitals were able to perform Priority Level 3 cancer surgeries more quickly than other hospitals performed more urgent Priority Level 2 cancer surgeries.
- At the time of our audit, the Ministry was not planning to publicly report wait times by surgeon, although initiatives had been introduced in Alberta and British Columbia to report wait time by surgeon for certain surgeries, such as joint replacements and eye surgeries. While ministry initiatives to centralize patient referral and assessment for certain types of surgeries could eventually reduce the need for wait time information by surgeon, that information could currently assist both referring physicians and patients in determining which surgeon could offer patients the quickest access to surgery.
- The surgeons we spoke with noted that provincial tracking of patient wait times is a significant step forward for the health system. However, the hospitals we visited were not using information from the Wait Time Information System to better monitor and manage patient wait lists, owing in part to the System's standardized reporting function still being under development.
- At the time of our audit, two hospitals we visited had about 13% of their in-patient beds occupied by individuals no longer requiring hospital care, who were waiting for alternative accommodation, such as in a long-term-care home. Both hospitals indicated that the use of beds for this purpose reduced the number of beds available for post-operative patients and, therefore, surgical patients sometimes had their surgeries delayed or cancelled.
- The Ministry was conducting a pilot project to use anaesthesiology care teams for certain low-risk surgical procedures. These teams can help ensure the availability of anaesthesiology services, in that one anaesthesiologist can supervise more than one surgical procedure,

and this in turn can prevent the delay or cancellation of surgeries. However, if the Ministry decides the pilot warrants expansion, it will have to assess whether its current funding model needs to be revised to encourage adoption of the team system.

- All the hospitals we visited used a quick sterilization process, called “flash sterilization,” when it would take more time to complete the regular cleaning and sterilization of instruments than was available before they were needed for the next surgery. According to the Ministry’s Provincial Infectious Diseases Advisory Committee, as well as the U.S. Guideline for the Prevention of Surgical Site Infection, flash sterilization should only be used in emergency situations, such as when an instrument is dropped on the floor; a lack of instruments is not an acceptable reason to use flash sterilization. However, at the one hospital we visited that recorded the reasons for flash sterilization use, almost 73% of flash sterilizations occurred because of a lack of available surgical instruments.

We acknowledge that there will be challenges—for the hospitals, as well as for the Ministry and Local Health Integration Networks—in addressing the observations and recommendations in our report, especially those that will require the co-operation of all key stakeholders. We further recognize the complex accountability relationships surrounding hospitals given that fee-for-service physicians working at hospitals are not paid by the hospitals. Rather, they bill the Ontario Health Insurance Plan for surgeries performed, while hospitals pay for other, non-physician costs. These separate funding mechanisms make it more challenging to make systemic changes to the way surgical services are delivered. Real improvements will require co-ordinated teamwork among the stakeholders. In addition, the Ministry and Local Health Integration Networks will require better

information on surgical capacity and patient needs in order to help address the issues noted in this report.

We also wish to acknowledge the co-operation we received from the hospitals we visited and would like to thank the hospital management and staff, as well as surgeons and anaesthesiologists, for their input and open discussions throughout the audit process.

We sent this report to the hospitals we visited as part of this audit, and to the Ministry of Health and Long-Term Care, and invited them to provide a response. We received responses from each of the three hospitals and from the Ministry. To be succinct and avoid repetition, we summarize the overall response we received from the hospitals below, followed by the Ministry’s overall response. Responses by the hospitals and the Ministry, where applicable, to specific recommendations are summarized following each recommendation.

### SUMMARY OF HOSPITALS’ OVERALL RESPONSE

Overall, the hospitals generally agreed with our recommendations but indicated that, in some cases, limited financial and human resources may have an impact on their implementation.

### OVERALL MINISTRY RESPONSE

The Ministry of Health and Long-Term Care is encouraged by the Auditor General’s review of hospitals’ management and use of surgical facilities, and is pleased with the references to many of the successful projects currently under way within Ontario to improve the use of operating rooms. Most specifically, the Ministry is encouraged by the Auditor General’s comments related to the Ministry’s Surgical Process Analysis and Improvement Expert Panel, and in particular agrees with recommendations 2 to 5 and 8 that hospitals should be moving toward

implementing the Expert Panel's recommendations. This report is valuable to the Ministry as it provides guidance and information on areas for continuous program improvement, and the specific recommendations will be taken into consideration for future program development.

While the Ministry takes seriously its accountability for the broader health system and the delivery of health care to Ontarians, it recognizes that this requires working closely with its partners—Local Health Integration Networks (LHINs), hospitals, health professionals and their colleges and associations, and the public. Within the current health-care system, there are multiple entities, each with its own roles and responsibilities. Ontario law clearly sets out accountability for each entity.

## Detailed Audit Observations

### MINISTRY INITIATIVES

The Ministry indicated that it exercises its duties and functions under the *Ministry of Health and Long-Term Care Act* through the administration and enforcement of legislation, in particular the *Public Hospitals Act* and Regulation 965 (the hospital management regulation). Additionally, while hospitals as of April 1, 2007, report directly to their Local Health Integration Network (LHIN) rather than to the Ministry, the Ministry is still responsible for the development of policy relating to the operation of hospitals. In this regard, we noted that the Ministry has undertaken a number of recent initiatives designed to promote peri-operative best practices.

Peri-operative processes include the scheduling of patients for surgery, the preparation of patients for surgery (such as pre-operative testing and patient education), the preparation of patients for

discharge, the operation itself, and recovery-room care. Efficient and effective peri-operative processes help hospitals ensure that patients are provided with required patient care on a timely basis. To help ensure efficient peri-operative processes at Ontario hospitals, the Ministry has introduced a number of initiatives, many of which are key components in its Wait Time Strategy (Strategy). Announced in November 2004, the Strategy is focused on reducing the time that Ontarians wait for specific types of surgery (cancer, selected cardiac, cataract, and total hip- and knee-joint replacements), and magnetic resonance imaging (MRI) and computed tomography (CT) scans. (See the Wait Times section of the report for more details.) These initiatives include the following:

- A Surgical Process Analysis and Improvement Expert Panel (Expert Panel), with hospital, academic, health-care consultant, and ministry representation, was established in October 2004. The Expert Panel reported in June 2005 on its examination of peri-operative processes to determine best practices for increasing capacity within available hospital resources, and made a number of recommendations to promote efficient surgical practices in the Ontario health-care system.
- Additional expert panels were established. For example, the General Surgery Expert Panel had the mandate to review non-cancer surgeries performed by general surgeons, recommend areas of focus, and develop a priority rating scale with access targets for general surgery; and the Quality Expert Panel was examining quality-of-care and patient-safety indicators for surgery. We were informed that the Ministry anticipated receiving a report from the General Surgery Expert panel in the fall of 2007 and that the Quality Expert Panel would be providing informal feedback rather than a report.
- Peri-operative Improvement Expert Coaching Teams were established to work with hospitals

to identify areas and develop strategies for improving surgical-management processes. At the time of our audit, these teams had visited about 35 hospitals, including one of the hospitals we visited.

- The Wait Time Information System (System) was introduced in March 2006 (subsequent to an interim system implemented in July 2005) to track and thereby help in the management of surgical wait times. All of the approximately 80 hospitals receiving funding under the Strategy were using the System by June 2007.
- The Surgical Efficiency Targets Program (Program), which is an initiative to measure surgical processes in hospitals and target areas for improvement, produces a set of four performance indicators (including surgical start time indicators and accuracy of case-duration estimates) that are comparable among hospitals. The Ministry indicated that the Surgical Process Analysis and Improvement Expert Panel was reviewing other key performance indicators that might be added to the Program in the future. Results are expected to be produced for each participating hospital and to be summarized for each Local Health Integration Network and for the entire province. As of June 2007, almost 60 hospitals had implemented the Program, and the remaining hospitals participating in the Strategy were expected to do so as well by the end of summer 2007.

The Ministry has also introduced a number of projects in various clinical areas as part of the Strategy aimed at increasing surgical capacity, improving surgical efficiencies, and reducing patient wait times. These projects use collaborative approaches and partnerships among health-care providers such as hospitals and surgeons. Examples of projects include a centralized referral system and a centralized patient-assessment system to determine

whether surgery is the most appropriate course of action. A more specific example is a regional eye medicine and surgery centre that provides patients with the option of choosing the surgeon with the shortest wait list or seeing the surgeon their family doctor referred them to. Another project is a joint health-and-disease management program, which has a multidisciplinary team assess patients' needs for joint-replacement surgery, freeing up the surgeons' time to allow them to perform more surgeries. We noted that a June 2007 evaluation by the Alberta Bone and Joint Health Institute of its hip- and knee-replacement project, which included these and other initiatives, indicated that the wait to see a surgeon fell from an average of 145 working days to 21 days, and the wait from consultation with the surgeon to the date of surgery fell from an average of 290 working days to 37 days.

We believe that, if successful, the approaches to patient care piloted in many of these projects may be more widely used to improve access to health-care services across Ontario. To reap the full benefit of these initiatives, the Ministry should ensure that the health-care projects introduced as part of the Wait Time Strategy are evaluated, once fully implemented, and, if warranted, promote their province-wide implementation.

## ACCESSING SURGERY

### Information on Operating Room Availability and Use

The three hospitals we visited had a total of 42 surgical operating rooms, as well as a number of minor-procedure rooms. Hospitals determine the hours to run their operating rooms on the basis of various factors, such as the availability of staff (including nurses, anaesthetists, and surgeons) and funding. At the hospitals we visited, operating rooms were generally used for elective surgeries from 7.5 to 9 hours a day, Monday through Friday, excluding statutory holidays. There were no regularly scheduled elective

surgeries on the weekends. Emergency and other urgent surgeries were performed as needed any time of the day or week, and could require that elective cases be rescheduled to accommodate them.

During the summer months, December holidays, and March school break, fewer operating room hours were available for elective surgeries, owing primarily to planned service reductions to accommodate vacation schedules. For example, for approximately nine weeks during the summer of 2006, only about 60% of the operating rooms were used during weekdays at the hospitals we visited, owing primarily to individuals taking vacation time. As well, during other times of the year, not all 42 operating rooms were used every day; on average, five of the 42 operating rooms were not in use on most weekdays. According to hospital staff, not all operating rooms were used, in general, because of insufficient funding to staff the rooms and/or insufficient availability of staff, such as anaesthetists. However, in 2007, one of these hospitals began using its previously unused operating rooms, primarily owing to Strategy funding from the Ministry. Yet we were informed that, even with Strategy funding, another hospital we visited was unable to sufficiently extend its operating room hours to complete the targeted number of surgeries because of a lack of staff and of in-patient beds, and therefore had to return Strategy funds to the Ministry.

At the time of our audit, the Ministry did not have information available on the number of hospital operating rooms in Ontario and their utilization. In February 2005, the Expert Panel conducted a survey to determine the number and location of operating rooms in Ontario hospitals, because this information was not maintained by the Ministry. However, the results of the survey were inconclusive, partly because some hospitals counted only operating rooms while others also included rooms used to conduct other lower risk procedures not requiring a general anaesthetic. Moreover, some hospitals did not complete the survey. Without

specific data on the number of operating rooms that exist in the province and their hours of operation, it is difficult for the Ministry or Local Health Integration Networks to determine whether operating room capacity is sufficient to meet the surgical needs of Ontarians.

## RECOMMENDATION 1

To better ensure the efficient use of operating rooms to meet patient needs, the Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks and hospitals, should obtain and review information on the number of operating rooms across Ontario and the extent of their use.

## SUMMARY OF HOSPITALS' RESPONSES

All of the hospitals agreed with this recommendation. One of the hospitals indicated that conducting an annual inventory of operating room capacity (similar to the critical care capacity analysis that was done after the SARS outbreak) should involve the development of standard definitions of capacity. This hospital also highlighted the importance of the distinction between physical capacity and operating capacity, the latter of which can be limited by financial and human resources. Another hospital indicated that it has two fully equipped operating rooms that are not being used because of a lack of operating funding.

## MINISTRY RESPONSE

At the time of the audit, this information was unavailable. However, this information will be tracked in the Surgical Efficiency Targets Program and will be used by Local Health Integration Networks to support planning and management of their services.



## Allocation of Operating Room Time to Surgeons

To ensure that patients are provided with timely surgical care and that wait lists are actively managed, hospitals need to allocate operating room time to surgical departments and surgeons in an effective manner that best meets patient needs.

At the hospitals we visited, we were informed that the allocation of operating room time to each surgical department—such as orthopaedics or urology—was performed either by the chief of surgery, jointly with the medical director and director of surgery, or by an operating room committee composed of the chief of surgery and representatives from anaesthesiology, hospital administration, and other surgical and clinical departments. The head of each surgical department allocate that department's operating room time to each surgeon within the department. The time allocated to each surgeon is commonly referred to as the surgeon's "surgical block." At the hospitals we visited, a new surgeon generally took over a departing surgeon's operating room time. If no surgeon was leaving, the surgical department would generally provide operating room time to the new surgeon from within that specialty's existing block of time, which would require a reduction of existing surgeons' operating room hours.

Staff at the three hospitals we visited indicated that the allocation of operating room time to the surgical departments—and subsequently to each applicable surgeon—was primarily based on past allocations. The Expert Panel reported in 2005 that this method of allocating operating room time does not take into account various factors such as the urgency of the patient's condition compared to the conditions of patients of other surgical departments. As a result, there is not always a relationship between patient needs and the operating room time allocated to surgeons. The Expert Panel therefore recommended that hospitals allocate their operating room time based on patient needs,

the strategic priorities of the organization, the importance of retaining physicians by ensuring that they have sufficient operating room time, and the community priorities determined by Local Health Integration Networks.

### RECOMMENDATION 2

To better ensure the most effective use of surgical resources and that patient needs are met in as timely a manner as possible, hospitals should adopt the recommendations of the Ministry of Health and Long-Term Care's Surgical Process Analysis and Improvement Expert Panel on allocating surgical operating room time to surgeons, which place more emphasis on patient needs than on the time that each surgeon has historically been allocated.

### SUMMARY OF HOSPITALS' RESPONSES

The hospitals generally concurred with the recommendation in principle. However, two hospitals indicated that implementing this recommendation would be challenging, as allocating sufficient and predictable operating room time to all surgeons is important for retaining surgeons as well as for enabling surgeons to co-ordinate their other professional activities (such as on-call responsibilities, research, and teaching), among other reasons. One of these hospitals commented that, in order to ensure predictability, a reasonable time frame for review would be about every 24 months. The other of these hospitals indicated that current funding does not allow for operating room time allocations to be based solely on patient needs, since the cost of one surgery is not equivalent to the cost of another surgery. Therefore, reallocation of surgical operating room time is also limited by financial resources.



## MINISTRY RESPONSE

The Ministry agrees with this recommendation and, working with the Local Health Integration Networks, will continue to encourage hospitals to implement the recommendations of the Expert Panel report.

## Scheduling of Patients for Surgery

### Elective Surgery

When a surgeon and a patient decide to proceed with surgery, the surgeon determines the date of surgery based on various factors, including the patient's clinical need, the patient's personal choice, and the surgeon's available time.

Accurately estimating the time to complete each surgical case is an important aspect of surgical efficiency. For example, if more surgeries are scheduled than can be completed in the allocated time, it will either result in staff working overtime (which can lead to additional cost for the hospital and potential staff burnout) or the cancellation of scheduled surgeries. On the other hand, if the time estimated is more than required, operating rooms may be idle and patient waiting times for surgery may be longer than necessary.

The Expert Panel's June 2005 report listed a number of characteristics of an effective scheduling process, one of which was to schedule cases based on the average actual time for each surgeon to complete a case, including the average actual time to set up and clean up the operating room. At the hospitals we visited, the surgeons' offices generally informed the hospital of the date and time of each patient's surgery, from about three months to two weeks, on average, before the date of surgery. The hospitals recorded this information in their scheduling systems. In addition, the hospitals estimated the expected total time to complete each surgery, including the time to set up and clean the operating

room. The hospitals estimated this time slightly differently, but generally included factors such as the surgeon's historical average operating time, as determined by the hospital's scheduling software, and the amount of time requested by the surgeon.

The Expert Panel also recommended that hospitals review and annually assess whether best-practice targets are being met. This review would include determining whether the scheduled time for a surgery approximates the estimated time for that surgery. One of the hospitals we visited had reviewed these times, and found that for the 2006/07 fiscal year, 46% of elective surgical cases were estimated accurately (within plus or minus 15 minutes of estimated duration), with 25% of cases taking more time than estimated, and 29% taking less time.

## RECOMMENDATION 3

Hospitals should periodically compare the actual time taken for surgeries—including operating room set-up and cleanup—with the time estimated for completing those surgeries (as indicated by the time booked for the operating room) and identify any recurring significant deviations, so that adjustments can be made to improve operating room utilization.

## SUMMARY OF HOSPITALS' RESPONSES

The hospitals all agreed with this recommendation, and one indicated that it was now complying. The hospitals commented that the Surgical Efficiencies Target Program should help to address this recommendation. In addition, one hospital indicated that it is developing an operating room information system through which it will monitor in real time a number of performance statistics, including scheduling accuracy, which will better enable it to take corrective action where necessary.

## MINISTRY RESPONSE

The Ministry agrees with this recommendation and, working with the Local Health Integration Networks, will continue to encourage hospitals to implement the recommendations of the Surgical Process Analysis and Improvement Expert Panel report.

### Emergency Surgery

In addition to pre-scheduled surgeries, hospitals also have patients who require surgery immediately or within a specified number of hours. The Expert Panel noted that these urgent cases can account for up to 25% of a larger hospital's total surgeries. At the hospitals we visited, information indicated that urgent cases ranged from about 12% to 19% of their total surgeries. In addition, one hospital also set aside up to 45 hours per month of scheduled operating room time for trauma cases (for example, trauma caused by a car accident).

### Prioritizing Urgent Patients

In order to ensure that patients with the greatest needs are provided with timely access to surgery, hospitals usually prioritize or triage urgent cases, including emergency ones. According to surgeons at the hospitals we visited, two types of problems may occur if hospitals do not use well-defined and agreed-on priority levels to triage patients. First, disagreements between surgeons may arise over whose cases should receive surgical priority, especially if there is limited operating room time. Second, surgeons may classify their non-urgent patients as urgent in order to gain additional operating room time and thereby provide faster access to surgery for their patients. The Expert Panel noted that a standard priority-rating system would help ensure that patients are provided with timely surgical care based on their clinical need. The Ministry indicated that it was working with the

Expert Panel to develop standard priority ratings for urgent patients.

All three hospitals we visited prioritized urgent surgical cases into three or four different categories with associated time frames for commencing surgery, based on the severity of the patient's condition. As well, the hospitals all had a process to arbitrate differences among surgeons to help ensure that the most urgent cases were given top priority. However, with the exception of the most urgent category—which each hospital generally defined as having an imminent threat to life, limb, or organ requiring immediate surgery—the other urgent categories were not defined at any of the hospitals. Instead, the urgency categorization of the surgical case was generally based on the surgeon's judgment, although surgeons at one hospital had agreed-on guidelines for prioritizing a few types of non-emergency, urgent surgeries, such as acute appendicitis.

The consultants that had been hired by two of the hospitals we visited to review their peri-operative processes both noted that, while each hospital had a policy for prioritizing urgent cases, it was often not followed or enforced. In fact, the consultant at one hospital noted that the process appeared highly politicized and that the patient priority identified was not always accurate. As well, a review of the peri-operative process at one hospital by the Ministry's Peri-operative Improvement Expert Coaching Team noted that there was not a shared understanding of the priority levels and of the types of cases that could be considered urgent.

Only one of the three hospitals we visited performed a monthly review of each surgeon's urgent patients to ensure that they were properly prioritized as urgent. We were informed that this process was established to reduce manipulation of the system by surgeons attempting to gain more surgical time and to ensure that scheduled elective cases were not unnecessarily delayed or cancelled. According to staff at this hospital, surgeons who

improperly prioritize patients are initially warned; after three instances of improperly prioritizing patients, the applicable chief of surgery must review and approve all of the surgeon's subsequent requests for urgent surgeries. We were informed that this process was effective, since, as of the time of our audit, a chief of surgery's involvement had never been required.

#### Meeting Targeted Time Frames

All three hospitals we visited had time frames associated with each of the priority levels for urgent surgical cases, based on the severity of the patient's condition. In addition, the hospitals all indicated that they collected information that could be used to determine whether they were staying within these time frames. However, none of the hospitals reviewed the information for this purpose. In fact, one of the hospitals discarded this information after one month, and the other two hospitals did so after six months. For the two hospitals that had six months' worth of data available, we reviewed a sample of urgent surgical cases and found that the most urgent emergency cases generally received surgery in accordance with each hospital's targeted time frames. However, approximately 13% of the patients requiring urgent, non-emergency surgery (such as an acute appendectomy) were not operated upon within the established time frames. These patients' surgeries were performed from about one hour to almost four days past the targeted time frame. One of the hospitals took a median time of four hours longer than the targeted time frame; the second took about 24 hours longer. One hospital indicated that cases could be delayed or deferred because of a number of factors, such as use of the operating rooms by higher priority cases, the non-availability of a surgeon, or clinical concerns relating to the patients.

We were informed that the Expert Panel is examining the use of urgent priority classification systems across Ontario hospitals with a view to

recommending the consistent use of one priority system, including associated time frames.

#### Reserving Operating Room Time for Urgent Patients

According to the Expert Panel, it is a best practice to set aside operating room time each day for urgent patients, rather than to extend operating room time at the end of the day after the scheduled elective cases are completed. This is owing to various reasons, including helping to avoid unnecessary patient waits. Studies completed in the United States also indicate that a dedicated operating room for urgent surgical cases increased hospital efficiency by reducing elective surgery cancellations, reducing staff overtime, and reducing administration time spent on rescheduling cases.

We noted that two of the hospitals we visited set aside operating room time for surgeries for urgent cases. The consultants who had been hired by the third hospital to review its peri-operative processes had also recommended that the hospital investigate the benefits of co-ordinating urgent surgical cases with its planned operating room schedule.

### RECOMMENDATION 4

To better ensure the equitable and timely treatment of patients requiring urgent surgery, hospitals should:

- in conjunction with the Ministry of Health and Long-Term Care (Ministry) and Local Health Integration Networks, and considering any recommendations from the Ministry's Surgical Process Analysis and Improvement Expert Panel, complete the development of and implement a consistent patient priority classification system across Ontario hospitals for emergency and other urgent surgical cases;
- review whether urgent patients are being prioritized by all surgeons in accordance with hospital policy, as well as whether these patients are receiving surgery within the

established time frames, and take corrective action where necessary; and

- review the costs and benefits of dedicating operating room time each day for urgent surgical cases as part of their regular planned activity, in accordance with recommendations from the Ministry's Surgical Process Analysis and Improvement Expert Panel.

## SUMMARY OF HOSPITALS' RESPONSES

The hospitals concurred with this recommendation. One hospital commented that it was important for standards to reflect the clinical needs of the patients, not just hospital practice. Another hospital commented that province-wide standards would further support the hospital's prioritization of patients requiring urgent surgery. As well, this hospital indicated that its scheduled "trauma blocks" of operating room time are cost-effective, and that if there is a reasonable critical mass of urgent and semi-urgent cases it may be more cost-effective to do them together in a pre-planned block of time as well.

## MINISTRY RESPONSE

The Ministry agrees with this recommendation and, working with the Local Health Integration Networks, will continue to encourage hospitals to implement the recommendations of the Surgical Process Analysis and Improvement Expert Panel report.

### Pre-operative Patient Screening and Testing

The Expert Panel noted that all elective patients should be screened, either by telephone or in person, to minimize surgical delays and cancellations

by ensuring that patients are ready for surgery. Patient screening should include any required tests (for example, blood work or x-rays requested by the surgeon), as well as patient education and discharge planning. The Expert Panel also noted that all patients who have similar clinical conditions and are scheduled for similar surgical procedures should be screened in a similar manner, regardless of who the surgeon or anaesthesiologist is.

All of the hospitals we visited had in place a screening process, called a patient pre-assessment, which was scheduled by the surgeon or the hospital anywhere from about five weeks to two weeks prior to a patient's date of surgery, depending on the type of surgery. The pre-assessment process at the hospitals varied somewhat, with one hospital requiring all patients to have a pre-assessment visit in person, including an appointment with an anaesthesiologist. The Peri-operative Improvement Expert Coaching Team that visited this hospital recommended that the hospital examine whether it was necessary to screen all patients in person (particularly healthy, ambulatory patients undergoing elective surgery) and consider pre-operative screening via telephone for selected patients based on their condition. The other two hospitals triaged patients and performed telephone pre-assessments with patients who met certain conditions. In addition, patients assessed at these hospitals generally met with an anaesthesiologist only if there was a medical issue specific to anaesthesiology.

Clinical guidelines, such as those endorsed by the Ontario Guidelines Advisory Committee, which is a partnership of the Ministry and the Ontario Medical Association, indicate that most medically stable patients undergoing low- and intermediate-risk surgical procedures do not require pre-operative electrocardiograms (ECGs) or chest x-rays. Research conducted by the Institute of Clinical Evaluative Sciences (ICES) in Ontario, based on data from April 2000 to March 2002, recently found that, despite these guidelines, patients in Ontario often

had ECGs and x-rays prior to low- or intermediate-risk surgery. The research also found that the rates of this testing varied dramatically among hospitals. For example, the rate of patients having an ECG and/or a chest x-ray prior to low-risk surgical procedures varied among hospitals from a low of 1% to a high of 98%.

The Guidelines Advisory Committee began a project in May 2003 to reduce the excessive use of pre-operative chest x-rays and ECGs in hospitals. Hospitals were provided with information on the number of their pre-operative chest x-rays and ECGs, as well as summaries of best-practice guidelines, including those to help surgeons determine when certain pre-operative tests should be ordered. The project found that, overall, these interventions resulted in a relatively small 2.6% reduction in the use of chest x-rays, and, as expected, hospitals with high rates of pre-operative chest x-rays had larger decreases in utilization. In addition, no overall change was noted in the use of pre-operative ECGs.

### RECOMMENDATION 5

To increase the efficiency and cost-effectiveness of pre-operative patient screening, hospitals should:

- establish policies, based on the patient's needs, on whether the patient's screening prior to surgery should be completed at the hospital or by other means, particularly for healthy, ambulatory patients undergoing elective surgery;
- determine specifically which patients, based on their condition, should be required to see an anaesthesiologist as part of the screening process, rather than requiring all such patients to be seen by an anaesthesiologist where this is the current practice of the hospital; and
- incorporate into their screening policies guidelines on pre-operative patient tests

endorsed by the Guidelines Advisory Committee of the Ontario Ministry of Health and Long-Term Care and Ontario Medical Association.

### SUMMARY OF HOSPITALS' RESPONSES

All of the hospitals agreed with this recommendation. One hospital commented that it had established clear guidelines for pre-operative testing based on predetermined clinical indications and specific procedures. Another hospital indicated that screening patients pre-operatively is a key component of patient safety, and therefore the hospital is working with its anaesthesiologists to establish the level and intensity of screening that is most efficient and reflects best practice.

### MINISTRY RESPONSE

The Ministry agrees with this recommendation and, working with the Local Health Integration Networks, will continue to encourage hospitals to implement the recommendations of the Surgical Process Analysis and Improvement Expert Panel report.

### WAIT TIMES

In September 2004, as part of *A 10-Year Plan to Strengthen Health Care*, the provincial first ministers agreed to improve access to certain surgical services and to target reductions in wait times in five areas, including four surgical areas (cancer, heart, joint replacements, and sight restoration) by March 31, 2007.

As a result, Ontario's Wait Time Strategy (Strategy) was announced by the Minister of Health and Long-Term Care in November 2004 to improve access to health-care services by reducing wait



times for adult Ontarians by December 2006 in a number of areas, including cancer surgery, selected cardiac procedures, hip and knee replacements, and cataract surgery. The goals of the Strategy included creating a system to monitor and manage wait times, and making wait time information available to the public and providers. The Strategy also aimed to make hospital boards more accountable for equitable access to services in their organizations. As well, a benefit of the Strategy was to provide information to help surgeons manage their wait lists and guide patient-scheduling decisions.

According to the Ministry, since the inception of the Strategy in November 2004, \$896 million has been paid to hospitals to provide over 1.2 million additional medical procedures in the five priority health services, including \$722 million for about 228,000 surgical procedures. The funding to hospitals was based on various factors, including the type of surgery, the number of procedures performed, and whether the hospital was designated to train medical professionals. Literature indicates that hospitals training medical professionals have higher costs, generally because of factors such as their early adoption of new technology and their carrying out of clinical research. One hospital we visited indicated that although it was a community hospital, it was designated to train orthopaedic medical professionals. However, it received the lower, non-teaching, funding rate under the Strategy for these procedures. The hospital noted that it was still able to complete the additional procedures with the lower funding and provide appropriate training for orthopaedic medical professionals, and therefore questioned whether the Ministry's funding methodology should be reviewed.

Surgeons usually manage their own wait lists and prioritize their patients for surgery based on each patient's condition. As a result, historically, the number of patients waiting and the time patients waited for most surgical procedures were generally not known by hospitals or the Ministry.

To help address this, the Ministry implemented an interim system in July 2005 at about 75 hospitals (later expanded to about 80 hospitals) to track wait times in the five Strategy areas. According to the Ministry, these hospitals perform about 90% of the total services provided across Ontario hospitals in the five areas.

In March 2006, the Ministry introduced a new Wait Time Information System (System), which was implemented in all hospitals participating in the Strategy by June 2007. Similar to the interim system, the new System tracks the wait time by patient, from the "decision-to-treat date" (that is, the date when the surgeon and patient decided to proceed with the surgery) to the date the surgery or test was performed. Unlike the interim system, it also tracks, for example, the urgency or priority level of each patient. According to the Ministry, 55 hospitals were utilizing the System as of March 31, 2007. The three hospitals that we visited had all implemented the System in March, September, and October 2006 respectively.

The June 2006 report from the Federal Advisor on Wait Times, engaged by the federal government to provide recommendations and advice to ensure the reduction of wait times for health-care services, noted that there were concerns, raised by both the public and health-care professionals, that concentrating on the five service areas may come at the expense of other health-care services. While the hospitals that we visited did not specifically monitor this, a May 2007 report by the Institute for Clinical Evaluative Sciences (ICES) found that, based on a sample of surgical procedures, there was no evidence of adverse impact on other surgeries across Ontario. However, ICES recommended that future research evaluate access on a regional and an institutional basis, and assess effects of the Strategy on surgical waits, particularly for urgent procedures where evidence suggests that delay may compromise outcomes. The Federal Advisor on Wait Times also made a number of recommendations

to adopt best practices, including the use of single common wait lists, and an approach that prioritizes patients by need and offers them the first available appointment. The Ministry indicated that it has activities under way aimed at addressing these recommendations.

In addition, in its 2006 Budget, the federal government introduced the concept of a patient wait time guarantee. This is similar to initiatives introduced in other countries, such as the United Kingdom and Sweden. This guarantee—to ensure that all Canadians receive necessary medical treatment within medically acceptable waiting times—allows patients the option of receiving treatment for selected services at another hospital, even outside of their home province, if their wait time exceeds the targeted provincial wait time. By April 2007, all provinces and territories had selected one priority area for which to establish health-care wait time guarantees by 2010. In March 2007, Ontario announced that it would implement a wait time guarantee for cataract surgery by January 1, 2009. Under this guarantee, cataract patients waiting longer than the 182-day access target can opt to receive their surgery elsewhere in Ontario, and have costs, such as travel and accommodation, paid for by the hospital unable to provide the service.

### Patient Priority Levels

The System incorporates patient priority levels and associated targeted maximum wait times. For example, a “Priority 4” patient for a hip and joint replacement would have minimal pain and disability, and a targeted maximum wait time of 26 weeks, while a “Priority 1” patient would have maximum pain and should have surgery immediately, according to the target. The priority levels and associated maximum wait time targets for hip, knee, and cancer surgery, as well as a target percentage of patients to receive cataract surgery, were based on recommendations from expert surgical panels

established by the Ministry. The Ministry indicated that it had provided training on these priority levels to hospitals participating in the Wait Time Strategy. Methods to determine wait time targets for cardiac surgery patients had previously been developed by the Cardiac Care Network. At the hospitals we visited, a number of surgeons, as well as hospital staff, expressed concern that both the decision-to-treat date and the priority levels were interpreted inconsistently among surgeons.

### Wait Time Reporting

#### Actual Reported and Targeted Wait Times

The Ministry publicly reports wait time information on its website for the hospitals participating in the Strategy. This information shows the number of days that it took 90% of patients (excluding all emergency patients and other urgent cardiac patients) to receive their surgery. In addition, this information is compared to the targeted time frames for Priority 4 (the least urgent priority) patients to receive their surgery, as shown in Figure 3.

**Figure 3: Actual and Targeted Wait Times by Type of Surgery, February–March 2007**

Source of data: Ministry of Health and Long-Term Care

Type of Surgery	Priority 4 (least urgent)		
	Targeted Maximum Wait Time (Days)	% of Surgeries Completed within Target	Days Taken to Complete 90% of Surgeries
angiography	n/a*	n/a*	24
angioplasty	n/a*	n/a*	18
bypass surgery	182	100	42
cancer surgery	84	93	70
cataract surgery	182	92	159
hip replacement	182	81	252
knee replacement	182	74	321

\* no provincially established targets under the Wait Time Strategy

At the time of our audit, the Ministry used Priority 4 as the overall maximum targeted wait time because hospitals not yet on the System did not have the previously mentioned priority levels assigned to most of their surgeries. Senior ministry staff noted that reporting wait times for each priority level would provide the public with more meaningful information and indicated that the Ministry planned to report this information by the spring of 2008.

According to the 2006/07 wait time funding agreement between hospitals and the Ministry, hospitals are to ensure that no patient waits for surgery longer than 10 months without a reassessment by his or her surgeon. However, although the Ministry indicated that the chief of surgery at each hospital participating in the Wait Time Strategy signed the agreement on behalf of all surgeons, none of the three hospitals we visited received information on whether surgeons reassessed patients waiting more than 10 months, although two of the hospitals periodically forwarded to some surgeons a list of patients waiting longer than their targeted wait time and asked surgeons to verify the accuracy of the information. Staff at one of these hospitals indicated that most surgeons did not respond for various reasons, such as not having time to follow up. We reviewed the wait time data at the third hospital and noted that, from October to December 2006, 67% of Priority 4 hip replacement patients had waited longer than their targeted wait time. As well, the System indicated that 37 hip and knee replacement patients were still waiting after at least three-and-a-half years. The hospital did not review this data, so it was unable to determine whether there were reasons that such patients were still waiting or if its information was inaccurate.

We noted that the wait time funding agreement for the 2007/08 fiscal year includes the expectation that hospitals ensure that no patient waits longer than the Priority 4 target unless the patient has been reassessed. In addition, as part of the agreement, hospitals are expected to review and analyze the reasons patients are waiting beyond target

time frames and act to improve performance. One hospital indicated that accomplishing this required ongoing collaboration between the surgeons and the hospital.

### Wait Times by Priority Level

To assess whether patients received surgery within the targeted wait times established by the Ministry, we requested wait time information by priority level for the hospitals that had implemented the System at the time of our audit. This information is shown in Figure 4.

As Figure 4 shows, while patients with more urgent needs generally received their surgery sooner than other patients, they were less likely to receive surgery within the access targets established by the Ministry based on their priority level. Further, the information we received indicates that the timeliness of surgery varied significantly in some cases, depending on the hospital at which the surgery was done or the Local Health Integration Network in which the hospital was located. For example, some hospitals were able to perform Priority 3 cancer surgeries more quickly than other hospitals performed more urgent Priority 2 cancer surgeries. Because hospitals had been required to collect this information only since implementing the System, the Ministry indicated that, as of the time of our audit, there had not been an overall analysis of the accuracy of this information and it had therefore not been publicly reported. However, as previously indicated, the Ministry plans to make wait time information by priority level available by spring 2008.

Because cardiac procedures are tracked by the Cardiac Care Network (Network), with only summary data posted on the Ministry's website, we obtained wait time information for cardiac procedures by priority level directly from the Network. As shown in Figure 5, cardiac patients generally received their procedures within their targeted maximum wait time.

**Figure 4: Wait Times by Priority Level for Four Types of Surgery, April 2007**

Source of data: Wait Time Information Office, Cancer Care Ontario

Type and Priority of Surgery	Targeted Maximum Wait Time (Days)	% of Surgeries Completed within Target	Days Taken to Complete 90% of:	
			All Surgeries	Surgeries Not Meeting Target
<b>Cancer</b>				
1	Immediate	41	24	34
2	14	41	44	56
3	28	63	57	91
4	84	85	102	170
<b>Cataract</b>				
1	Immediate	—*	—*	—*
2	42	68	90	146
3	84	82	125	253
4	182	92	167	489
<b>Hip Replacement</b>				
1	Immediate	—*	—*	—*
2	42	63	88	159
3	84	60	195	297
4	182	69	307	516
<b>Knee Replacement</b>				
1	Immediate	—*	—*	—*
2	42	49	111	202
3	84	55	219	300
4	182	62	375	531

Note: Data are from the hospitals that had implemented the Wait Time Information System as of April 2007. The Wait Time Information Office had not yet verified the data.

\* Hospitals are not required to report on Priority 1 in these categories.

### Wait Time to See Surgeon

Some surgeons we spoke with were concerned that the System did not track the time patients waited between the date of their family physician's referral and the date of the patient's appointment with the surgeon. As well, a 2006 report by the Fraser Institute noted that, in Ontario, the waiting time to see a surgeon varied among surgical areas. For example, in the four surgical areas included in the Wait Time Strategy, wait times to see a specialist varied from an average high of 14 weeks for orthopaedic surgery to an average low of three weeks for cancer surgery. The January 2007 report of the Ministry's

Primary Care—Family Practice Wait Times Expert Panel recommended that the Ministry develop a framework that would incorporate, among other items, targeted maximum wait times for appointments with specialists.

According to the Ministry, by the end of the 2007/08 fiscal year, the System would be able to track information on the wait time from the date of a family physician's referral to the date of the appointment with a specialist, such as a surgeon. The Ministry will then need to begin collecting this information, as it indicated that it plans to report this information publicly by 2010.

**Figure 5: Provincial Wait Time by Priority Level for Cardiac Procedures, April 2007**

Source of data: Cardiac Care Network

Type and Priority Level of Cardiac Procedure	Cardiac Care Network's Targeted Maximum Wait Time (Days)	% of Procedures Completed within Target	Days Taken to Complete 50% of Surgeries
<b>Angiography</b>			
1	0-7	90	1
2			
3	8-28	72	7
4	29-84	100	9
<b>Angioplasty</b>			
1	0-7	94	1
2			
3	8-14	86	7
4	15-28	95	6
<b>Bypass Surgery</b>			
1	0-14	82	3
2			
3	15-42	86	6
4	43-180	94	20

### Wait Time Reporting in Other Provinces

In February 2007, the Canadian Institute for Health Information (CIHI) compared wait time reporting among the provinces. CIHI noted that:

- There is wide variation in reporting methods, including how wait times are defined, making comparisons among provinces challenging.
- The availability of information on wait times outside of the five priority areas varied among provinces. For example, Alberta and British Columbia reported wait time information on surgeries in other areas, such as neurosurgery and gall bladder surgery.
- Several provinces reported wait times against wait time benchmarks. For instance, Newfoundland and Labrador reported against national wait time benchmarks, while Alberta,

similarly to Ontario, reported against only the province-specific wait time targets associated with the least urgent patients.

- Alberta and British Columbia reported wait time by surgeon for certain surgeries, such as joint replacements, cardiac surgeries, and eye surgeries.

Since the surgeries covered under the wait time initiative only account for about 14% of all surgeries, the Ministry indicated that it plans to use the System to track the wait times for all surgeries by June 2009. However, at the time of our audit, there were no plans to publicly report wait times by surgeon. While we believe that this type of information would be valuable both to referring physicians and patients in determining which surgeon could offer patients the quickest access to surgery, the Ministry told us that it had indicated to surgeons that it would not make this information public.

## RECOMMENDATION 6

To enable both patients and health-care providers to make informed decisions and to help ensure that patients receive the surgery that meets their needs within an appropriate length of time, the Ministry of Health and Long-Term Care—in conjunction with Local Health Integration Networks, hospitals, and surgeons—should monitor patient wait times by each priority level and by surgeon for all types of surgery. As well, the Ministry should make information on patient wait times by priority level available to the public and reconsider its decision not to report at a future time wait times by surgeon or, as a minimum, make this information available to referring physicians.

## SUMMARY OF HOSPITALS' RESPONSES

All the hospitals agreed with the first part of this recommendation. Two hospitals indicated that



they were now monitoring patient wait times. One of these hospitals indicated that it would have monitored wait times earlier but was unable to because of system limitations that have since been rectified. Another hospital indicated that while it was moving forward in reviewing the monthly priority of the patients waiting for surgery, this had resulted in additional administrative time spent by both the hospital and the surgeons. This hospital also indicated that hospitals would benefit from having a wait time co-ordinator on staff, but that there was no specific funding provided for this position. As well, the hospital stated that it was working with its Local Health Integration Network to improve wait times. The third hospital indicated that it now monitors patient wait times on a more in-depth and ongoing basis, and provides a list of patients waiting longer than the provincial target to surgeons for review. In addition, it has established a Wait Times Steering Committee to monitor wait times and address identified areas for improvement.

All the hospitals agreed with public reporting of wait time by priority level. With respect to public reporting of wait time by surgeon, one hospital indicated that this information may be misinterpreted and that while public reporting would be beneficial in the future, it should wait until information on other factors, such as surgical outcomes, is also available.

### MINISTRY RESPONSE

The Ministry is planning on publicly reporting wait time data by priority but will not be reporting information by specific surgeon.

The Wait Time Information System was created to support hospital accountability of wait time management. The System does report by surgeon; however, this information is

only reported to the surgeon's hospital to assist it, and in particular peri-operative teams, with wait list management.

### Use of the Wait Time Information System by Surgeons and Hospitals

According to the Ministry, the System is intended to help surgeons and their staff manage their patient wait lists and guide patient-scheduling decisions by using the information tracked by the system. The surgeons we spoke with noted that provincial tracking of patient wait times is a significant step forward for the health system. However, the majority of these surgeons noted that additional administrative time was required to enter information into the System, there was no specific funding provided to enter this information, and they already knew how many of their patients were waiting for surgery and their next available surgical date.

At two of the hospitals we visited, information on each patient's decision-to-treat date and priority level was generally entered in the System by the surgeon's administrative assistant, while at the third hospital, staff entered the information. As well, two of the hospitals we visited had purchased computer equipment for some surgeons to facilitate their entry of System information. The Ministry required this information to be entered within two business days of the decision-to-treat date, and one hospital we visited had a policy generally requiring surgeons to input a patient's decision-to-treat date in the System before the hospital would allow operating-room time to be scheduled for the patient. The actual date the patient received his or her treatment (that is, the date the surgery was performed) was either entered in the System by hospital staff or electronically extracted from the hospital's information system.

The tracking and monitoring of patient wait times is an important means to assist hospitals in

ensuring that patients receive required surgery within a reasonable time frame. Hospitals can use the System to produce a standard set of reports, such as the hospital's median patient wait time by surgical area, for hospital management to access. In addition, hospitals can download data from the System, from which they can produce reports to meet their local information requirements. However, we found that none of the three hospitals we visited used the System to monitor and manage patient wait lists. We noted that one hospital had tried to download data, but encountered system limitations, which the Ministry indicated were subsequently corrected. In addition, we were informed that data were rarely downloaded at the other two hospitals because no staff were dedicated to managing the System. The hospitals we visited all indicated that, rather than developing each report themselves, they would benefit from more standard System reports for managing surgical activities. Such reports could include:

- median and 90% patient wait time by each priority level for every surgeon;
- number of patients waiting for surgery by each priority level for every surgeon; and
- number of patients not meeting the wait time targets by surgeon and by priority level.

The hospitals also indicated that they would be interested in accessing comparative data from other hospitals on the number of patients waiting by surgical area. The Ministry advised us that the system was still under development and indicated that it was working with hospitals to implement system improvements.

The hospitals we visited also expressed concerns about the accuracy of some data in the System. Therefore, one hospital reconciled information on the number of completed surgeries in its internal reports with the information in the System on a monthly basis.

## RECOMMENDATION 7

To monitor and manage patient wait lists more efficiently, the Ministry of Health and Long-Term Care and hospitals should continue to jointly develop more standardized reports, utilizing data from the new Wait Time Information System, that would readily provide hospitals and surgeons with useful and comparative information on patient wait times. As well, hospitals should periodically test the accuracy of their key data elements in the System.

## SUMMARY OF HOSPITALS' RESPONSES

The hospitals generally concurred with this recommendation, and that they anticipated more standardized reports as the system was further developed. One hospital commented that it is difficult for the hospital to manage the data collection and ensure data accuracy, as hospitals are unable to ensure that the information they receive from surgeons is timely, accurate, or complete. Therefore, this hospital suggested that the Ministry and Local Health Integration Networks should make the physicians responsible for providing the information directly to them, rather than to the hospital. Another hospital commented that it is addressing this issue by comparing monthly the volume of surgeries in the Wait Time Information System to the actual number of surgeries completed according to hospital records, and working with the surgeons' offices to help ensure data accuracy.

## MINISTRY RESPONSE

The Ministry agrees with this recommendation and will continue to support hospitals by providing standardized reports. The development of standardized reports is an ongoing function and

is guided by input from the hospitals participating in the Wait Time Strategy, which had not all implemented the Wait Time Information System until June 2007. The Wait Time Information Office has developed a reporting strategy that includes the development of a business intelligence/decision support module that will provide more dynamic, detailed reports to hospitals and Local Health Integration Networks, including all of the standardized reports suggested within the Auditor General's report.

There is also new functionality on the website, added in March 2007, which allows hospitals to compare their wait time performance with that of other hospitals.

## OPERATING ROOM EFFICIENCY

The management of surgical processes has been the focus of much study in a number of jurisdictions, including the United Kingdom, United States, and Canadian provinces such as British Columbia and Saskatchewan, as well as Ontario. All of these studies have reviewed peri-operative processes and proposed ways to increase their efficiency, such as monitoring various performance measures and documenting the peri-operative processes to identify areas for improvement.

The Expert Panel's June 2005 report recommended a plan to improve surgical efficiencies in Ontario's hospitals, and indicated that surgical efficiencies were critical to the success of reducing patient wait times for certain types of surgery and procedures. The Expert Panel also noted that adequate human, financial, and capital resources were needed to increase the number of these surgeries, but that improving surgical efficiencies, including the efficiency of peri-operative processes, would increase the number of surgeries even further.

## Monitoring of Performance Indicators for Operating Room Use

Hospitals participating in the Wait Time Strategy signed funding agreements with the Ministry. One requirement in both the 2005/06 and 2006/07 fiscal year funding agreements was that hospitals track and summarize information affecting operating room efficiency, such as cancellations on the day of surgery, cancellations that occur within 48 hours of the day of surgery, delays caused by the late start of the first surgery of the day, and unplanned operating room closures.

All of the hospitals that we visited had participated in the Strategy and collected some of the required information on operating room efficiency. In addition, the hospitals also had some information on other performance measures, such as the number of surgeries finishing late and the accuracy of surgical case duration estimates. However, none of the hospitals tracked all of the required information. For example, none of the hospitals tracked unplanned operating room closures.

Performance measures are also useful tools to evaluate how a hospital is performing relative to other comparable hospitals, and to identify areas for improvements. At the time of the Expert Panel's 2005 report, Ontario hospitals with surgical programs did not collect and assess information on surgical performance measures against benchmark targets on a provincial basis. The Expert Panel therefore recommended that the Ministry support the development and implementation of Ontario-wide surgical benchmark targets. As a result, the Ministry introduced the Surgical Efficiencies Target Program (Program) in the summer of 2006, and expected it to be implemented in the approximately 80 hospitals participating in the Strategy. As of June 2007, almost 60 hospitals had implemented it. One of the hospitals we visited had implemented the Program in November 2006, and the other two implemented it in May 2007. The Program tracks

information on a number of performance measures, including start-time accuracy for the first case of the day (+/-5 minutes) and subsequent cases (+/-15 minutes). We obtained 12 months of data, ending in the spring of 2007, on start time accuracy for the almost 60 hospitals. We noted that median start time accuracy for the first surgery of the day was 69%; for subsequent surgeries, the median was 58%. We also noted some significant variations in hospital performance. For example, the best start-time-accuracy rate for the first case of the day was 95%, while the lowest rate was 17%. Similarly, start-time-accuracy rates for subsequent cases during the day ranged from a high of 98% to a low of 25%. At the hospitals we visited, the start-time-accuracy rates for the first case of the day ranged from 27% to 76%, while the start-time-accuracy rate for subsequent cases was generally around 55%. We understand from the Ministry that the Ministry has not publicly reported this information because the system is new and it has not yet verified the data.

One of the hospitals we visited had monitored its actual use of operating rooms at one of its sites versus both its planned use of the rooms and its operating room capacity during weekdays for the 2006/07 fiscal year. As shown in Figure 6, the actual use of operating rooms versus the planned use was fairly consistent, although the actual use versus the operating room capacity showed some unused capacity. Unused capacity can result from various reasons, including a lack of funding, a lack of staff, a lack of available beds, and holiday schedules.

We were informed that the Ministry plans to add other performance measures to the Program, although at the time of our audit these measures had not been finalized. According to the Ministry, performance targets are to be established on the basis of Ontario-wide data once all participating hospitals are using the Program. Results are

expected to be produced for each participating hospital, as well as summarized by each Local Health Integration Network and provincially. In addition, the Ministry indicated that, when the Program is fully implemented, it expected Local Health Integration Networks would review Program results to determine whether any regional efficiencies could be achieved.

**Figure 6: Actual Use of One Hospital's Operating Rooms as a Percentage of Planned Use and of Capacity, 2006/07**

Source of data: One of the audited hospitals

Time of Day	Actual Use of Operating Rooms as a % of:	
	Planned Use <sup>1</sup>	Total Availability <sup>2</sup>
8 a.m.-11:59 a.m.	85	77
noon-2:59 p.m.	83	75
3 p.m.-4:59 p.m.	100	48
5 p.m.-7:59 p.m.	82	14

1. "Planned Use" is based on the number of hours operating rooms are staffed Monday to Friday.
2. "Total Availability" is based on the maximum number of hours operating rooms could be available if all of the hospital's operating rooms were used Monday to Friday.

## RECOMMENDATION 8

To determine if surgical resources are being utilized efficiently and effectively, hospitals should utilize the information provided by the new Surgical Efficiencies Target Program to monitor key performance measures against performance targets (once the targets are established by the Ministry of Health and Long-Term Care), as well as against internal benchmarks and the performance of comparable hospitals.

## SUMMARY OF HOSPITALS' RESPONSES

All the hospitals concurred with this recommendation.

## MINISTRY RESPONSE

The Ministry agrees with this recommendation and will continue with the implementation of the Surgical Efficiencies Target Program.

## Surgical Bottlenecks

According to the Expert Panel, bottlenecks in the surgical process at hospitals can arise for various reasons, including a lack of available beds for post-operative patients and a lack of available staff, such as anaesthesiologists. These bottlenecks can lead to delayed and cancelled surgeries.

## Availability of Hospital Beds

Information at two of the hospitals we visited indicated that surgical bottlenecks occurred. More specifically, we were informed that these two hospitals either delayed or cancelled elective surgeries for reasons such as the impact of emergency patients and the unavailability of in-patient beds for post-operative patients. In some cases, patients remained in the recovery room until an in-patient bed was available, forcing other patients to wait in the operating room until a bed was available in the recovery room and therefore delaying the next surgery. Rather than cancel surgeries, one of these hospitals kept its recovery rooms open overnight 37 times in 2006 to accommodate 98 patients.

According to staff at these two hospitals, the main reason for the shortage of in-patient beds was that patients no longer requiring hospital care had to remain in hospital until appropriate alternative accommodation was available, such as in long-term-care homes. At the time of our audit, these two hospitals had a total of 148 such patients occupying about 13% of each of the hospitals' beds that would otherwise be available for surgical patients. We also noted that, in November 2006, one of the

hospitals had over 100 patients awaiting alternative accommodation occupying 23% of the hospital's beds. Furthermore, this hospital has been building a new facility since 2001, which is anticipated to have 12% fewer beds than the current hospital. Bed availability may therefore still be an issue when the new hospital opens (currently planned for 2010).

## RECOMMENDATION 9

To help ensure that patients receive the care they need and to reduce the cancellation of elective patient surgeries, the Ministry of Health and Long-Term Care, in conjunction with hospitals and Local Health Integration Networks, should develop and implement strategies to reduce the number of patients who no longer require hospital care but are occupying hospital beds.

## SUMMARY OF HOSPITALS' RESPONSES

All of the hospitals agreed with this recommendation. One hospital indicated that surgeries are cancelled if someone waiting for alternative accommodation (such as in a long-term-care home) is occupying a bed that the hospital anticipated would be available. Furthermore, finding the appropriate accommodation for these individuals would enable hospitals to redirect related funding to surgical services and other areas of need. Another hospital highlighted that the issue of patients remaining in hospital while they are waiting for alternative accommodation requires Ministry and Local Health Integration Network leadership, as it involves many stakeholders, including hospitals, long-term-care homes, and Community Care Access Centres, as well as patients and their families.



## MINISTRY RESPONSE

The Ministry has been working with the Local Health Integration Networks (LHINs) and their health-care partners on a number of initiatives to address this issue and improve patient flow through improved access to alternative services:

- On February 16, 2007, the government announced \$13.7 million in one-time funding over two years to alleviate pressures in hospitals by, for example:
  - increasing home care and community-support services;
  - placing additional Community Care Access Centre staff in hospitals to enable faster access to community services; and
  - funding temporary transitional beds in select communities.
- The Ministry's Ontario Health Performance Initiative is a quality-improvement project focused on improving patient flow in various ways, including enhanced capacity and improved discharge planning. The 18-month project began in July 2007 and involves 32 hospitals as well as the LHINs and Community Care Access Centres.
- On October 27, 2006, the Ministry announced a longer-term solution—1,750 new long-term-care beds and 662 replacement beds expected to be completed in 2010.

### Availability of Anaesthesiologists

All of the hospitals we visited were at least somewhat concerned about ensuring the availability of anaesthesiologists for surgery. As well, based on a 2002 study published in the *Canadian Journal of Anesthesia*, the Expert Panel estimated that Ontario was short 80 to 100 anaesthesiologists.

To help address the shortage of anaesthesiologists, in March 2007, the Ministry announced the

creation of anaesthesiology care teams to be piloted at nine medical sites. These teams include an anaesthesiologist who supervises anaesthesia assistants and nurse practitioners who provide services such as conscious sedation and the administration of anaesthetic gases and medication. One of the hospitals that we visited planned to use anaesthesiology care teams for cataract surgery. According to the Expert Panel, other hospitals have used anaesthesiology care teams, and this has doubled the throughput of cataract patients at some of these hospitals without affecting patient safety. However, the Expert Panel also noted that hospital global budgeting does not encourage facilities and providers to develop efficient processes to maximize throughput because, although the anaesthesiologists are paid through the Ontario Health Insurance Plan, the cost of the remaining team members is paid by the hospital. Therefore, it is less expensive for a hospital to have more anaesthesiologists than to use anaesthesiology care teams.

At one of the hospitals we visited, when the operating rooms were short of anaesthesiologists, some low-risk cataract surgeries were performed without an anaesthesiologist present. We noted that at least one other Ontario hospital also performed low-risk cataract surgeries without an anaesthesiologist present. Furthermore, a Manitoba study, published in the April 2007 *Canadian Journal of Ophthalmology*, indicated that topical anaesthesia with oral sedation with no anaesthesiologist present was not only safe but also an effective use of resources, allowing scarce medical resources to be allocated to areas of greater need. The UK's Royal College of Ophthalmologists' cataract surgery guidelines outline circumstances when an anaesthesiologist is not required to be present. While we were unable to find any similar Canadian guidelines, we noted that the College of Physicians and Surgeons of Ontario's Clinical Practice Parameters and Facility Standards for Ophthalmology at

Independent Health Facilities refers to the use of a non-anaesthesiologist physician, rather than an anaesthesiologist, to assist the ophthalmologist with local anaesthesia and sedation.

## RECOMMENDATION 10

To help ensure the best utilization of anaesthesiology services, while still ensuring that patients requiring anaesthesia receive it in a safe and efficient manner:

- the Ministry of Health and Long-Term Care should analyze the results of the anaesthesiology care teams pilot projects and, if warranted, encourage the expansion of this concept to other Ontario hospitals while reviewing current funding mechanisms to ensure that they support this initiative; and
- hospitals, in conjunction with the College of Physicians and Surgeons of Ontario, should determine under what circumstances an anaesthesiologist needs to be present for cataract surgeries.

## SUMMARY OF HOSPITALS' RESPONSES

The hospitals generally agreed with this recommendation, and one hospital commented that it was participating in the anaesthesiology care team pilot project. Another hospital indicated that there needs to be ministry funding for educational placements, such as respiratory therapists and nurse anaesthesiologists, as well as for nurse first assistants who assist with surgery.

## MINISTRY RESPONSE

The Ministry is encouraged by this recommendation and will continue with the evaluation of the Anaesthesia Care Team Program.

## SURGICAL INSTRUMENTS

Hospitals need to ensure that the correct instruments are available for each surgery and that these instruments are properly cleaned and sterilized before they are used. In this regard, the Expert Panel identified a number of best practices related to surgical instruments for hospitals, including:

- ensuring that there are sufficient surgical instruments to support the operating room schedule;
- using instrument-management systems to help track surgical instruments, including their cleaning and sterilization; and
- where possible, standardizing instruments used by procedure rather than having each surgeon use different types of instruments.

To ensure that surgeons have all the instruments required for each surgery, the hospitals we visited listed the number and type of instruments needed for a particular operation or for a particular surgeon performing an operation. Hospital staff used these lists to prepare trays of sterilized instruments. The number of instruments per tray varied depending on the type of surgery, with some having over 100 instruments; some surgeries required more than one tray. Because there are so many types of surgical instruments, two of the hospitals we visited used a system whereby staff could view a picture of each required instrument to help ensure that the trays were prepared accurately.

According to the Expert Panel, surgeries can be cancelled when hospitals have too few surgical instruments and not enough time between surgeries to clean and sterilize them. We found that staff at all the hospitals we visited were concerned about the lack of instruments, especially given the increased number of surgeries due to the Strategy. To reduce problems with unavailable instruments, all the hospitals had staff review the list of scheduled surgeries and modify the schedule as needed to prevent instrument shortages. However, all the

hospitals indicated that they also used a quick process, called “flash sterilization,” when there is not enough time to complete the regular cleaning and sterilization of instruments before they are needed for another surgery.

Health Canada’s infection control guidelines, the Ministry’s Provincial Infectious Diseases Advisory Committee’s (PIDAC’s) April 2006 “Best Practices for Cleaning, Disinfecting and Sterilization in All Health Care Settings,” and the U.S. “Guideline for Prevention of Surgical Site Infection” all indicate that flash sterilization is “not recommended” and should be used only in emergency situations (such as when a required instrument is dropped on the floor during surgery). The U.S. Association of Perioperative Registered Nurses’ “Recommended Practices for Sterilization in the Perioperative Practice Setting,” effective January 1, 2006, indicates that the use of flash sterilization should be kept to a minimum, as it may be associated with increased risk of infection to patients because of pressure on personnel to eliminate one or more steps in the cleaning and sterilization process. As well, according to PIDAC, effective sterilization is impaired if all the necessary parameters of the process are not met. The Canadian Standards Association’s Recommended Standard Practices for Emergency (Flash) Sterilization states that because of the difficulties associated with maintaining the sterile condition of a device sterilized by this method while delivering it to the point of use, as well as the device being used before the effectiveness of the sterilization cycle is known, the use of flash sterilization is not recommended if time permits the regular sterilization process. The U.S. Guideline and PIDAC both further clarify that a lack of instruments is not an acceptable reason to use flash sterilization.

PIDAC’s Best Practices recommend that a record should be maintained of the instruments that are flash sterilized, including the name of the surgeon who subsequently used the instrument and the name of the patient it was used on. One of the

hospitals we visited did not maintain a flash sterilization log but had established a working group in early 2007 to review PIDAC’s recommendations, including those related to flash sterilization. The other two hospitals maintained logs. Although the log book at one hospital listed the instruments that were flash sterilized, it did not list either the surgeon’s name or the patient’s name. However, when flash sterilized equipment was used, it was indicated in the patient’s file. The other hospital tracked all the required information as well as the reason the equipment was flash sterilized.

We found that one hospital had periodically reviewed its use of flash sterilization, and it indicated that it had implemented changes to reduce the risk related to cleaning and transporting the instruments and also had purchased additional instruments. We reviewed the log book at this hospital, covering a period of seven months, as it recorded the reasons for flash sterilizing instruments. Our review indicated that almost 73% of flash sterilizations occurred because of a lack of available surgical instruments. Another hospital we visited used flash sterilization relatively infrequently—less than eight times a month—but did not review the reasons for its use. The third hospital had not periodically reviewed the frequency or reasons for flash sterilizing instruments so that corrective action could be taken when necessary.

None of the hospitals that we visited had an instrument-management system (for example, a system using bar codes and scanning technology) to track instrument location by status—such as those awaiting cleaning; sterilized and awaiting use; in use; and being repaired. As a result, the hospitals only had a general idea of how many surgical instruments they had and did not know the number available for surgery on any given day. Furthermore, a report by the consultants hired by one hospital noted that there was no system at that hospital to ensure that all instruments were brought for cleaning after surgery. Therefore,

many instruments were lost (for example, accidentally thrown out). We did note, however, that all of the hospitals we visited had processes in place to ensure that medical instruments were not left in patients.

### RECOMMENDATION 11

To better ensure that cleaned and sterilized surgical instruments are available when needed for surgeries, hospitals should:

- in light of the Provincial Infectious Diseases Advisory Committee’s (PIDAC’s) best practices guidance, re-examine the practice of using flash sterilization in non-emergency situations;
- where flash sterilization is used, ensure that a record is maintained of the instruments that are flash sterilized, including the name of the surgeon who subsequently used the instrument and the name of the patient it was used on, in accordance with PIDAC’s recommendations; and
- review the costs and benefits of implementing an instrument-management system to track instrument location and status.

### SUMMARY OF HOSPITALS’ RESPONSES

All of the hospitals agreed with this recommendation. One hospital further emphasized that all the appropriate procedures are followed for the safe use of flash sterilization, including pre-sterilization cleaning and post-sterilization transportation of instruments in closed containers. This hospital also indicated that reducing flash sterilization would require substantial capital funding to be allocated toward instrument purchases each year. The hospital further indicated that since the completion of the audit, it has reduced its use of flash sterilization by 16%,

and that it was implementing a plan to purchase the required instruments, as well as making changes to its practices that should reduce its use of flash sterilization by a total of 70%. Furthermore, the hospital has now implemented an electronic flash sterilization monitoring system that tracks, among other things, flash volumes, the reason for the flash sterilization, and the physician’s and patient’s names. Another hospital noted that hospitals need clarification regarding when it is acceptable to use flash sterilization and suggested that hospitals should have a targeted maximum rate for the use of flash sterilization, and hospitals exceeding this rate should determine how to reduce their reliance on this sterilization method.

### MINISTRY RESPONSE

The Ministry supports the Auditor General’s recommendation and agrees that there is a need for hospitals to track instruments that have been flash sterilized, and notes that the Provincial Infectious Diseases Advisory Committee’s (PIDAC’s) recommendations are best practices. The Ministry has distributed PIDAC’s “Best Practices for Cleaning, Disinfection and Sterilization in all Health Care Settings” to all hospitals and related associations, as well as to professional colleges. Currently, the Ministry is working with the Infection Control Professionals in each hospital across the province and the Regional Infection Control Networks to assist hospitals and other health-care organizations to implement these best practices in all areas of cleaning, disinfection, and sterilization.

As indicated in the Auditor General’s report, the Ministry agrees that there is a role for flash sterilization in emergencies and that a threshold for this should be developed in consultation with experts.

## Chapter 3

### Section 3.10

# Long-term-care Homes— Medication Management

## Background

Long-term-care homes in Ontario provide care, services, and accommodations to individuals unable to live independently and requiring the availability of 24-hour nursing care and supervision in a secure setting. There are more than 600 such homes in Ontario caring for about 75,000 residents, most of whom are 65 or older. All homes fall within one of four categories: for-profit and not-for-profit nursing homes, charitable homes, and municipal homes for the aged, as illustrated in Figure 1.

Under the *Long-Term Care Act*, the Ministry of Health and Long-Term Care (Ministry) funds long-term-care homes for residents who meet its eligibility requirements for care. Starting April 1, 2007, Ontario's 14 Local Health Integration Networks also began playing a role in the planning and funding of long-term-care homes. In the 2006/07 fiscal year, funding to long-term-care homes for eligible residents totalled \$2.8 billion. The amount paid by the Ministry covers only a portion of the total costs, and therefore long-term-care-home residents with sufficient resources also pay between \$1,500 and \$2,100 a month for their accommodations, depending on whether they occupy a basic, semi-private, or private room. As well, residents make a

**Figure 1: Ontario's Long-term-care Homes by Type, December 2006**

Source of data: Ministry of Health and Long-Term Care

Home Type	# of Homes	# of Beds
nursing home (for profit)	352	39,862
nursing home (not-for-profit)	100	11,664
charitable (not-for-profit)	59	6,982
municipal (not-for-profit)	103	16,620
<b>Total</b>	<b>614</b>	<b>75,128</b>

co-payment to the pharmacy contracted by the home for their drug costs (normally \$2 per prescription), and they are responsible for paying the full cost of most drugs not covered by ministry programs.

Long-term-care homes are licensed or approved by the Ministry under three different laws: the *Nursing Homes Act*, the *Charitable Institutions Act*, and the *Homes for the Aged and Rest Homes Act*. The three Acts do not have identical requirements, but the same ministry policies (set out in the *Long-Term Care Homes Program Manual*) apply to all long-term-care homes.

Under these three Acts, the Ministry is responsible for setting standards of care and conducting inspections of homes. These include complaint investigations and annual unannounced inspections to monitor compliance with legislation, regulations, standards and criteria, and service



agreements. Inspections are intended to safeguard residents' rights, safety, security, quality of care, and quality of life. Where necessary, the Ministry uses its enforcement powers to achieve compliance. However, physicians, contracted pharmacies, and nurses working at the homes all have professional responsibilities for medication management, as shown in Figure 2.

The *Nursing Homes Act*, the *Charitable Institutions Act*, the *Homes for the Aged and Rest Homes Act*, and the *Long-Term Care Act* were in force at the time of our audit, but they will all be replaced by Bill 140, *An Act Respecting Long-Term Care Homes*, which received royal assent in June 2007. The new legislation is expected to provide more consistency among long-term-care homes.

In the 2006/07 fiscal year, the Ministry's Ontario Drug Benefit Program paid pharmacies about \$333 million for more than 19 million drug prescriptions and associated dispensing fees for residents of long-term-care homes. The \$333 million comprises \$203 million for drugs (on average, about \$2,700 per resident) and \$130 million in dispensing fees (about \$1,700 per resident). As well, the Ministry's Ontario Government Pharmaceutical and Medical Supply Service provides certain drugs, such as acetaminophen (generic Tylenol), at no charge to long-term-care homes. In 2006/07, the cost of such drugs was about \$3.4 million.

There are a number of legislative, regulatory, and ministry directives regarding the administration of drugs to residents of long-term-care homes. Given the importance of appropriate medication management at the homes, our audit focused on a review of these practices.

## Audit Objective and Scope

This constitutes the first value-for-money audit in the long-term-care home sector following an expansion of the mandate of the Office of the Auditor General of Ontario in 2005. This expansion allows us to conduct value-for-money audits of institutions in the broader public sector, including hospitals and long-term-care homes. We began performing broader-public-sector audits in the 2005/06 fiscal year.

The objective of our audit was to assess whether medications for residents of long-term-care homes were managed in an efficient, safe, and appropriately controlled way, in accordance with applicable legislation and required policies and procedures (we note that such medication management involves physicians and pharmacists, as well as the homes). We also performed some system-wide work on drugs dispensed to residents of long-term-care homes. However, since medications are prescribed by physicians, we did not attempt to assess

### Figure 2: Medication Management—Professional Responsibilities

Source of data: Ministry of Health and Long-Term Care

**Physicians:** Prescribe medications for long-term-care home residents and review the resident's care plan—including medications—on the basis of the physician's knowledge and skill and the clinical situation of an individual resident. Physicians are accountable to their regulatory body, the College of Physicians and Surgeons of Ontario.

**Pharmacists:** Dispense medications for long-term-care home residents on the basis of physicians' or other recognized health professionals' prescriptions and the pharmacist's knowledge of the resident and the prescribed drug, in accordance with provincial and federal legislation as well as in accordance with the standards of practice of their regulatory body, the Ontario College of Pharmacists.

**Nurses:** Apply their knowledge of the resident and the medication when assessing residents, administering medications, evaluating residents' reaction to medications, and planning and documenting the medication administration process, as per the Medication Practice Standard of the College of Nurses of Ontario. Nurses act as the liaison between the physician and pharmacist in relation to medication management for each resident, and collaborate with the health-care team in the long-term-care home to maintain safe medication-management processes.

the appropriateness of medications prescribed for any individual resident at the homes we visited.

Our audit work was conducted primarily at three long-term-care homes of different types and sizes providing services to a variety of communities: Hamilton Continuing Care, a 64-bed for-profit nursing home; Leisureworld St. George, a 238-bed for-profit nursing home in Toronto; and Providence Manor, a 243-bed charitable home in Kingston. The audit work we conducted at the homes excluded municipally run long-term-care homes because the *Auditor General Act* does not apply to grants to municipalities (other than requiring the Auditor General to examine a municipality's accounting records to determine whether a grant was spent for the purposes intended).

In conducting our audit, we reviewed relevant files and administrative policies and procedures, and met with appropriate staff of long-term-care homes and the Ministry. As well, we obtained and analyzed information on drugs dispensed to residents of all long-term-care homes through the Ministry's Ontario Drug Benefit Program. We also met with the Ontario Long-Term Care Association and the Ontario Association of Non-Profit Homes and Services for Seniors, which between them represent the majority of long-term-care homes in Ontario. In addition, we met with other organizations, including the Ontario College of Pharmacists, and with the staff of a municipal home to familiarize ourselves with issues relating to medication management in long-term-care homes. We also examined the Ministry's inspection and other reports as they related to medication management at the homes we visited, and we reviewed relevant literature, including publications by the Institute for Clinical Evaluative Sciences and the Institute for Safe Medication Practices Canada, as well as information from other jurisdictions. In addition, we engaged on an advisory basis the services of two independent consultants who have expert knowledge of medication management in long-term-care homes.

Our audit was conducted in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly we included such tests and other procedures as we considered necessary in the circumstances. The criteria used to conclude on our audit objective were discussed with and agreed to by senior long-term-care home management.

We did not rely on the Ministry's internal audit service team to reduce the extent of our audit work because it had not recently conducted any audit work on medication management in long-term-care homes. None of the homes we visited had an internal audit function, although, in some cases, a home's pharmacy conducted certain compliance procedures, which we reviewed and relied on where warranted. As well, staff at two of the homes conducted certain procedures—which we reviewed—to help verify that medications were properly administered.

## Summary

All three of the long-term-care homes we visited had procedures in place to ensure that they obtained physician-prescribed medications and administered them to residents in a safe and timely manner. However, we noted ways in which homes could improve their medication-management practices—for example, by ensuring that informed consent is obtained from residents or their substitute decision-makers for the use of new medications, monitoring high-risk residents more closely than other residents for adverse drug reactions, documenting such monitoring, and ensuring that expired medications are properly identified and disposed of. In addition, further efforts were needed to promote the secure storage and handling of drugs,

particularly those most susceptible to misappropriation. Some of our more significant observations included the following:

- Two of the three homes we visited generally had no documentation to show they had obtained the informed consent required to treat a resident with new medication. Documentation at the third home generally indicated that consent had been sought—but it did not include the identity of the person contacted.
- The Institute for Safe Medication Practices Canada indicates that the identification and review of medication errors is important to assist in preventing similar errors in the future. However, there is no standard definition for long-term-care homes of a medication error. As well, through our review of various records, we confirmed that there were unreported medication errors at all the homes we visited. In fact, two of the homes were especially poor at ensuring that all medication errors were reported. During 2006, one reported only 12 errors and the other only 26, while the third home took this issue more seriously and reported many more errors.
- International experts have concluded that certain medications are generally more harmful than beneficial to older adults, although there may be the occasional situation where experienced health-care professionals determine that these drugs are the best choice. However, we noted that, during the 2006 calendar year, more than 5,700 residents 65 and over in long-term-care homes across Ontario were prescribed and dispensed at least one of the eight high-risk drugs in our sample. In addition, these drugs were dispensed to at least 20% of residents in 30 Ontario homes. As well, one antibiotic was dispensed to 675 residents in 2006 despite the existence of studies indicating the drug should rarely or never be used in the elderly because it is generally ineffective and has potential adverse side effects. One-fifth of all the residents who received this antibiotic lived in just 12 homes. While we acknowledge that there may be situations where the use of these drugs is warranted, given the higher level of usage we detected in certain homes, this is an area where follow-up by the Ministry of Health and Long-Term Care, in collaboration with the College of Physicians and Surgeons of Ontario, should be considered.
- At the three homes we visited, between 23% and 28% of residents (at least 65 years of age) were taking 12 or more different regularly scheduled medications. While we acknowledge that residents of homes often require various medications because they suffer from a number of conditions, studies have established that the likelihood of an adverse drug event increases with the number of medications taken by an individual. While the homes indicated they monitored all residents, none had any specific policies or procedures for increased monitoring of individuals taking this many medications.
- In 2006, there were 18,000 level-1 alerts, generated automatically by computers at pharmacies to warn that a drug combination is clearly contra-indicated and should not be dispensed or administered. These alerts are updated monthly on the Ministry's Ontario Drug Benefit Program system, on the basis of the results of research provided by a third-party organization specializing in medication management. We noted that 91% of these alerts were overridden by the pharmacist and the drugs dispensed to residents of 421 long-term-care homes. While pharmacists may have contacted the prescribing physician to discuss these drug interactions, we believe Ministry monitoring and follow-up, in collaboration with the College of Physicians and Surgeons of

Ontario, may be warranted given such a high percentage of overridden alerts.

- None of the homes we visited performed periodic reconciliations of controlled substances administered to residents with records of drugs received from the pharmacy and those on hand. We reconciled a sample and found discrepancies at all the homes.
- Processes were not in place to ensure that expired medication was always identified and removed from the supply of drugs awaiting use. We found that almost 30% of the drugs in the emergency supply at one home had expired—one medication was 10 months out of date. At another home, some medications ordered in bulk were more than a year past their printed expiry date.
- None of the homes consistently monitored the quantity of the free drugs they received from the Ontario Government Pharmaceutical and Medical Supply Service that expired prior to use; doing so would facilitate better inventory management and reduce waste.
- Two of the homes were not consistently using environmentally responsible practices to dispose of medications. For example, we were informed that some unused injectable narcotics were poured down the drain, and spoiled pills were thrown into the garbage.

We sent this report to the three long-term-care homes we visited as part of this audit, and to the Ministry of Health and Long-Term Care, and invited them to provide a response. We received responses from each of the three long-term-care homes and from the Ministry. To be succinct and avoid repetition, we summarized the overall response we received from the long-term-care homes below, followed by the Ministry's overall response. Responses by the long-term-care homes and the Ministry, where applicable, to specific recommendations are summarized following each recommendation.

## SUMMARY OF LONG-TERM-CARE HOMES' OVERALL RESPONSE

Overall, the homes generally agreed with our recommendations and provided detailed responses to individual recommendations.

## OVERALL MINISTRY RESPONSE

Some of the recommendations directed to the Ministry are within the scope of professional practice of physicians, pharmacists, or nurses. The College of Physicians and Surgeons of Ontario, the Ontario College of Pharmacists, and the College of Nurses of Ontario are responsible for setting practice standards and maintaining a regulatory process for their members. Each has processes to evaluate the quality of practice in order to improve patient care. These professional standards are in addition to requirements that exist in legislation.

The Ministry has, in consultation with our partners, including long-term-care homes and their associations, regulatory colleges, and Local Health Integration Networks, developed and implemented some initiatives to improve care and assist long-term-care homes in tracking and reporting as further described in the Ministry's responses to specific recommendations.

The Auditor General's observations on drug-alert overrides and medications that may be contra-indicated for seniors reflect on the prescribing practices of physicians. In the absence of discussions with the College of Physicians and Surgeons of Ontario on these issues, or any specific information regarding the seniors to whom these medications were prescribed, it is difficult to assess the risk, if any, to these residents. However, the Ministry is committed to working with the Ontario College of Pharmacists, the College of Nurses of Ontario, and the College of Physicians and Surgeons of Ontario, as well as

long-term-care homes, on issues that may affect the health of residents in keeping with each partner's responsibilities.

## Detailed Audit Observations

### PROVISION OF MEDICATIONS

Residents of long-term-care homes usually have conditions requiring treatment with medication prescribed by a doctor. Homes contract with pharmacies to obtain prescription drugs for their residents. In addition, homes can order certain over-the-counter drugs free of charge from the Ontario Government Pharmaceutical and Medical Supply Service (Service). In February 2007, the Service began offering free delivery of these medications directly to pharmacies serving long-term-care homes, when requested by the homes, so that the pharmacies could repackage the drugs for individual residents. Since this process was new at the time of our audit, none of the homes we visited had these drugs delivered directly to the pharmacies they contracted with, and therefore we did not audit this process.

Pharmacies can dispense medication in quantities that can be administered to residents for several months at a time. At the homes we visited, however, pharmacies filled most prescriptions with enough medication for only one week, and thereafter refilled the prescriptions weekly. The one-week supply was generally in “strip-packing,” where drugs that are taken together are packaged in pouches marked with the appropriate time and date to take the medication. Pouches are attached together in the order they are to be administered. This process aims to lessen the risk of residents getting incorrect medication or dosages, and to reduce the time nurses spend sorting and administering drugs.

Differences can arise between quantities dispensed by a pharmacy on behalf of a resident and quantities actually administered to that resident for a variety of reasons, including changes to a resident's treatment plan.

### Pharmacies' Monitoring of Homes

Long-term-care homes contract with pharmacies to obtain prescriptions and other medications ordered by physicians for their residents, as well as to obtain advice on such issues as potential drug interactions. The Ministry's *Long-Term Care Homes Program Manual* says there must be a written contract between the home and the pharmacy that includes quality management expectations in areas such as drug storage, prescription and distribution systems, review of resident profiles prior to dispensing of prescriptions, and communication regarding and resolution of any concerns with the physician. The contract may also include requirements for interdisciplinary review, documentation of resident prescriptions, staff education, and drug destruction. According to the Ministry, pharmacy services must be available to long-term-care homes 24 hours a day, seven days a week.

We found that the homes we visited had agreements with pharmacies that complied with ministry requirements and described in general terms the pharmacy's responsibility to monitor potential drug interactions. As well, all homes had an expectation that the pharmacist would perform some procedures to ensure the home's compliance with key medication-related policies, such as the documentation of medication-related processes and the storage of medications. However, none of the agreements with the pharmacies specified the types of procedures that were to be conducted or their frequency, although one home's agreement indicated that the pharmacy was to audit the home regularly, at intervals to be determined. As a consequence, we noted significant variations in the



extent to which pharmacies communicated issues of non-compliance to homes: one home received no such written reports at all in 2006 while another received them in most months of the year.

## Consent to Treatment

Under the *Nursing Homes Act* and the *Charitable Institutions Act*, residents of long-term-care homes have the right to give or refuse consent to treatment with medication in accordance with the law. Under the *Health Care Consent Act*, consent is not required in certain situations, such as emergencies; it also stipulates that providing consent generally requires an understanding of the expected benefits of the medication, significant risks (including side effects), and potential alternative courses of action. People adjudged by a physician or other health practitioner to be mentally incapable of sufficient understanding to make an informed medication-related decision cannot legally give their consent. Many residents of long-term-care homes are incapable of making their own decisions because of chronic illnesses such as Alzheimer's disease. Consequently, a legal substitute decision-maker for these residents, usually a family member and in some cases the Public Guardian and Trustee, must be contacted to give or refuse consent. Given that there may be difficulties in reaching substitute decision-makers, in order to avoid unnecessary delays in treatment it is important that homes have an efficient and timely process to obtain consent.

At the homes we visited, we were informed that few residents were considered capable of making their own decisions about medication. However, none of the homes had a written policy on how to obtain and document consent from a substitute decision-maker, although staff at all the homes indicated that consent should be documented in the resident's file. One home did indicate that it was developing a policy on how to better ensure that consent was obtained and documented for new

psychotropic drugs, which often have a higher risk of adverse reactions.

We were informed that, generally, either the physician or a staff person at the home would attempt to contact a substitute decision-maker about a new medication. In many cases, however, the homes indicated that no consent was obtained because the home could not reach the substitute decision-maker and often was able only to leave a message. We selected a sample of residents who recently started taking new medications and found that two of the homes generally had no documentation of consent from either the resident (if capable) or the substitute decision-maker. Nor were there any indications that these had been emergencies. At the third home, we found documentation to indicate that, in some cases, the home had contacted the substitute decision-maker to discuss a new medication but had not documented that person's name. As well, none of the three homes conducted periodic checks to ensure that consent was documented on the resident's file when required.

## Medical Directives and Standing Orders

The majority of medications are administered on the basis of a physician's prescription, which would normally take into consideration a resident's health history and current condition. One of the homes we visited required that a physician approve all medication administered to a resident. The two others had similar requirements for the majority of drugs but also used a pre-approved list, called "medical directives" at one home and "standing orders" at the other, for five to eight mostly common over-the-counter medications like acetaminophen (generic Tylenol) and dimenhydrinate (generic Gravol). Drugs on this list could be administered in certain circumstances (when a resident experienced pain or nausea, for example) according to a nurse's judgment. The College of Nurses of Ontario's medication practice standard outlines processes that

nurses should follow in administering these drugs. In administering medications, especially when judgment is involved, care should be taken because of the medications' potential side effects. For example, dimenhydrinate commonly causes confusion and falls in older adults, especially those with dementia.

The Ministry requires that homes have policies on standing orders but does not provide further guidance or minimum standards with respect to such orders, nor does the Ontario College of Pharmacists have specific requirements concerning medical directives in long-term-care homes. While the policy of the College of Physicians and Surgeons of Ontario regarding medical directives is also applicable to different settings, it indicates that a medical directive should be signed by the physician and should consist of a number of items, including a detailed list of the specific clinical conditions that the patient must meet and the situational circumstances that must exist before the directive can be implemented, as well as a comprehensive list of contra-indications to implementing the directive. We noted that both the Saskatchewan College of Pharmacists' *Standards of Practice for Pharmacists Providing Services to Long-Term Care Residents* and the College of Pharmacists of British Columbia's *Interpretation Manual for Providers of Pharmacy Services to Residential Care Facilities and Homes* state that standing orders must be personalized to individual residents and signed by the physician. In addition, the British Columbia standard requires that the drugs on each resident's standing order list be reviewed annually by the physician to ensure that they are still appropriate.

As mentioned earlier, two of the homes we visited used medical directives or standing orders, although doctors could exempt a resident from the medical directives or standing orders if, for example, the individual was allergic to a drug. At one home, the policy was that the standing order for each resident was completed by the physician when the resident moved into the home. Subse-

quently, the physician would mark or initial a line, called "routine medical orders signed," on the form used for the quarterly review of the resident's medications or treatments. We were informed that almost all residents were approved for the same list of drugs and that only in rare circumstances was a resident not authorized to receive all standing-order drugs. At the other home, all residents could receive all of the listed drugs in accordance with a medical directive approved annually by the home's medical director. As well, the physician would check a box indicating the approval of "medical directives as needed" on each resident's quarterly review form.

We noted that the Saskatchewan standards stipulate that no standing-order medication is to be given beyond 48 hours without physician approval because symptoms lasting longer than 48 hours may indicate other medical issues requiring a physician's assessment. However, both homes that used standing orders allowed for one common pain medication (acetaminophen) to be administered for 72 hours before a physician was consulted. One home indicated that the reason for the 72-hour duration of the standing orders was to allow for weekend coverage. In light of the potential side effects from the use of over-the-counter drugs and the more detailed guidance provided by some other provinces in this area, the guidance outlined in the Ministry's "standing orders" policy may not be sufficiently detailed.

## Medication Errors

### Identifying and Documenting Medication Errors

The Institute for Safe Medication Practices Canada says full and complete medication-error identification and reporting is important to ensure that residents are not harmed and that actions are taken to ensure that the same errors do not occur in future. As well, the Ministry's *Long-Term Care Homes Program Manual* (Manual) states that after

medication errors are reported, specific follow-up action should be taken. The Ministry's compliance-review monitoring tools for long-term-care homes defines a medication error as any mistake in the administration of medications that requires medical intervention, as well as a pattern of errors. The Manual does not further define these errors, and therefore the definition of an error can vary across homes. The Manual does, however, state that all medication errors should be reported promptly to the home's director of nursing, prescribing physician, and pharmacist according to the home's established policies and procedures. Such policies depend on a clear definition of a medication error in order for staff to recognize and report these errors. The Manual also states that a medication error resulting in an adverse reaction requiring hospitalization should be reported to the Ministry within 10 working days as part of the Ministry's unusual-occurrence reporting requirements. In 2006, 54 such errors were reported by long-term-care homes across the province; no such errors were reported by the three homes we visited.

We found that the policies at one of the homes were not as comprehensive as required by the Manual. For example, this home's policy only required reporting of medication errors that resulted in a resident being hospitalized, or drugs going missing or being misappropriated.

One home we visited had not defined what it considered to be a medication error. The other two homes had defined medication errors as "any incident involving medication administration by nursing or dispensing by pharmacy." Because many policies and procedures for medication systems were not documented, staff were sometimes unclear about what to record as a medication error. At one home, for example, the pharmacist identified potentially missed doses of a drug to treat nausea after chemotherapy, but this was not included as a medication error.

All of the homes we visited required staff to use specific forms to document medication errors. These generally divided medication errors between those that occurred at the home, such as nursing errors, and those that occurred at the pharmacy. One home had a useful form which listed 16 categories of medication-administration errors, including nursing errors, such as incorrect drug and wrong or extra dose, and pharmacy dispensing errors, such as incorrect labelling of medication or wrong medication in packaging.

We reviewed the medication error forms at the homes we visited and found that all homes had reported some medication errors in 2006. One home we visited appeared to take this issue more seriously as it identified more than 150 errors throughout the year. However, the two other homes identified only 12 and 26 errors respectively, with all but three occurring in the first two months of the year at one home. We reviewed other documents available at the homes indicating that medication errors were likely under-reported at the two that reported 12 and 26 errors respectively.

We found that all three homes we visited did not analyze errors by unit or by nurse. Such analysis would help identify potential trends and assist in preventing similar errors in future.

### Medication Errors in Medication-administration Records

At the two homes we visited that defined medication errors, one such error was failure to sign a resident's medication-administration record after a drug is administered. The medication-administration record lists all drugs a resident is to receive and the times at which he or she is to receive them. If the record is not signed, others reviewing the record will not know whether the medication was administered, and the same medication might be administered a second time.

The policy at one home indicated that the best way to ensure timely identification and follow-up

of these types of medication errors was through a daily review of residents' medication-administration records. This home informed us that, as of April 2006, the nurse on duty for night shifts was to review the medication-administration records for that day and highlight any instances of non-compliance so that follow-up could be completed on a timely basis. We obtained the night nurses' review for two months of 2007, as the 2006 records had been destroyed at the end of that year, and found that the medication-administration records had not been reviewed on most days as required by the home's policy. Another home had reviewed the completion of medication-administration records for some but not on most days during eight months in 2006. The third home did not review medication-administration records to ensure that they were signed.

Both homes that reviewed the completion of medication-administration records identified many instances where there was no indication whether medication was administered as required. However, neither of these homes tracked the number of instances where signatures were missing to identify potential trends, a practice which could assist in educating nurses to reduce future occurrences. Missing signatures were sometimes discovered days or weeks later, thereby hindering timely corrective action. We also noted that the follow-up procedures conducted by these homes were sometimes of questionable effectiveness. In some cases, for example, homes contacted nurses one to two weeks after their shift to ask them to sign the medication-administration record to indicate the resident had received the medication.

The homes' and pharmacists' review processes, as well as our review, found instances at all three homes we visited where medication-administration records were not adequately completed. However, only one of the homes included some of these identified cases as medication errors.

## RECOMMENDATION 1

To help promote the safe and efficient provision of medication to residents, long-term-care homes should ensure that:

- contracts with pharmacies specify the type and frequency of procedures the pharmacy is to perform, as well as the reporting methods to be used, with respect to assessing the home's compliance with medication-related policies; and
- consent to treatment with new medication is obtained and documented from either the resident, when capable of giving consent, or from the resident's substitute decision-maker in a timely manner.

The Ministry of Health and Long-Term Care should review its policy on standing orders (which typically relate to over-the-counter medication) to determine if additional guidance is necessary.

As well, to help promote the health of residents, long-term-care homes, in conjunction with the Ministry of Health and Long-Term Care, should develop a consistent definition of what constitutes a medication error. In addition, long-term-care homes should ensure that medication errors are consistently identified, documented, and reviewed so that appropriate action can be taken on a timely basis to minimize similar occurrences in the future.

## SUMMARY OF LONG-TERM-CARE HOMES' RESPONSES

The homes generally agreed with this recommendation. One home highlighted its support for having its pharmacy contract include consistent procedural and written reporting requirements for assessing the home's compliance with medication-related policies, and indicated that it was planning to incorporate these

items into its pharmacy contract. Another home indicated that it would endeavour to incorporate these items into its pharmacy contract.

With respect to consent to treatment, one home pointed out that processes put in place to obtain informed consent must not unreasonably delay the treatment of residents, and noted that obtaining and documenting informed consent from substitute decision-makers is a responsibility shared between the physician, nurse, and pharmacist and is often a complicated process. The home further indicated that it was working with its Pharmacy and Therapeutics Committee to approve a system to document that informed consent has been requested and obtained in an efficient and timely manner. Another home indicated that it was its expectation that the physician, or the nurse in the physician's absence, would obtain consent, but that obtaining substitute consent is not always easy. This home is reviewing its practices for obtaining consent, and expects to implement revised practices by the end of 2007. The third home also indicated that it was implementing a process to ensure that consent is received in a timely manner for new medications.

Two homes highlighted the importance of having a standard definition of a medication error that is consistent throughout the health-care system. One home noted that pending the adoption of such a standard it would work with its contracted pharmacy to clarify further its definition of a medication error. Although this home believed that its policy to track and analyze medication errors was adequate, it planned to provide further training to staff to strengthen this process and would monitor performance. Another home indicated that it was implementing a system to aid in the timely and accurate reporting, tracking, and analysis of medication errors. As this system is

in use elsewhere in Canada, the home expected that the system would provide benchmarking opportunities.

## MINISTRY RESPONSE

The Ministry supports the first part of this recommendation and will work with long-term-care homes and other partners, such as the Local Health Integration Networks, to identify opportunities to better help long-term-care homes meet it.

With respect to Standing Orders, the Ministry notes that their use is within the purview of professional practice, and is not regulated by the Ministry. However, discussions will be undertaken with the appropriate regulatory colleges and stakeholders in the long-term-care-homes sector to ensure that seniors are served well.

Concerning the definition of medication errors, while definitions are included in both the Standards of Practice of the Ontario College of Pharmacists and the Practice Standards of the College of Nurses of Ontario, the Ministry notes that they are not consistent and could contribute to confusion in reporting medication errors in long-term-care homes. To help address this, the Ministry has developed an on-line reporting system that will enable long-term-care homes to meet their unusual-occurrences reporting requirements, including certain types of medication errors, more consistently, and enhance the Ministry's risk-management capacity. Over time, this system can be used to support further clarification and guidance to long-term-care homes on what constitutes a medication error to ensure consistent and accurate reporting. The province-wide rollout of this system was to commence in late 2007.



## REACTIONS TO MEDICATIONS

### Monitoring Residents' Reactions

According to research from various jurisdictions, including Canada and Australia, older adults are more vulnerable than younger adults to adverse drug reactions. These reactions include dry eyes, drowsiness, and hallucinations—and even death. The Ministry's *Long-Term Care Homes Program Manual* (Manual) requires each home to have written policies and procedures for adverse drug reactions, including a system to report them immediately to the home's director of nursing, physician, and pharmacist. Policies help staff identify and document serious adverse reactions, as well as any measures taken to ensure that the reaction does not recur.

At the three homes we visited, contracted pharmacies were responsible for identifying potential adverse drug reactions and interactions before filling the prescriptions. We were informed that computers at the pharmacies contained a medication profile for each resident, listing all drugs prescribed. The medication profile also included medical conditions—diabetes, for example—of which the pharmacist should be aware. After a new medication is prescribed and entered into the profile, the system identifies any potential adverse effects, after which the pharmacist may contact the physician to discuss the situation. The physician may change the medication, or determine that the benefits outweigh the risks, in which case the home is informed of the potential for an adverse effect, and that information may be included in the resident's file. However, homes do not have direct access to the adverse-drug-effects warnings generated by the pharmacy's computer system.

We noted that the professional standards of the College of Nurses of Ontario, which apply to nurses working in long-term-care homes, require them to be aware of current drug information, including contra-indications and potential adverse reactions, as well as to evaluate and document medication

administration and medication-related outcomes. These outcomes include benefits, side effects, and signs of drug interactions. Documenting outcomes is important to ensure that the physician has as much information as possible when making subsequent decisions about prescribing new drugs, changing dosages of existing medications, or discontinuing drugs.

The homes we visited informed us that serious adverse reactions were rare. In addition, they indicated that less severe reactions were also documented in resident files when they occurred. Two homes had a policy that addressed serious adverse reactions, including those relating to newly marketed drugs, and described how they were to be documented in resident files. The documented policies at the other home did not expand on the Ministry's reporting requirements for adverse drug reactions.

None of the homes we visited had a general policy on monitoring and documenting resident reactions to new or changed medications. However, we were informed that residents are monitored daily and that when a change in a resident's condition is observed, it is documented. We were also informed that such monitoring could be documented in as many as five different reports maintained by the home, including progress notes made by nurses in residents' files and multi-resident reports used by nurses to convey key information to the next shift coming on duty.

We reviewed a sample of resident files and other documents at the homes we visited and found that often, there was no documentation of the monitoring of any potential resident reactions to a new drug or a changed dosage. In one case, a resident was prescribed a new psychotropic drug that has a high risk of potential side effects, yet we could find no documented evidence that the resident was monitored for medication-related outcomes in the week that followed the administration of the new drug. Health Canada notes on its website for the Canadian

Adverse Drug Reaction Monitoring Program, which is responsible for the collection and assessment of adverse reaction reports, that adverse reactions remain under-reported.

## High-Risk Medications

### Groups of High-Risk Medications

While there may be occasional situations where these drugs are the best choice, international experts have identified certain medications that are generally more harmful than beneficial to older adults. A well-known analysis of such drugs is the Beers Criteria, which the Ministry indicated are well recognized. In addition, a December 2006 newsletter of the College of Physicians and Surgeons of Ontario noted that the Beers Criteria has become the “most widely used criteria for identifying drugs that potentially increase the likelihood of [adverse drug effects] in elderly patients.” These criteria were developed in 1991 by 12 national experts in the United States headed by a physician, Dr. Mark H. Beers. Subsequently updated in 1997 and 2002, they include approximately 50 medications or classes of medications considered to pose a high risk to adults 65 or older. Most of these are psychotropic drugs, muscle relaxants, and gastrointestinal medications; many are not approved for use in Canada. In 2006, the Washington, D.C.-based National Committee on Quality Assurance (National Committee), a private, non-profit medical organization, convened a consensus panel composed of experts with pharmacological and geriatric-medicine expertise. The National Committee set out to identify which drugs in the 2002 Beers Criteria should *always* be avoided in the elderly. It concluded that 42 drugs were particularly high-risk and were rarely appropriate or should always be avoided. Many of these drugs were not available in Canada. Although the Ministry does not monitor the extent to which any of these medications are dispensed to residents of long-term-care homes, the Ministry’s Health Network System is the

only system that tracks information on most drugs dispensed to all long-term-care-home residents across the province.

At our request, the Ministry compiled a report based on Health Network System data from the Ontario Drug Benefit Program (more details on this system and program can be found in Section 3.05, Drug Programs Activity). This report covered individuals 65 or older who were dispensed at least one of a sample of eight high-risk drugs on the Beers Criteria that are available in Canada, and who also were in a long-term-care home as of January 1, 2006, and remained resident in only that home during the 2006 calendar year. While more than 5,700 long-term-care home residents were dispensed at least one of these medications, the report indicated that 30 homes in Ontario dispensed these drugs to 20% or more of their residents. The three homes we visited were not included in these 30 homes.

From another report prepared for us by the Ministry using data from the Ontario Drug Benefit Program, we found that, in 2006, residents of long-term-care homes in Ontario were not generally dispensed any of a sample of the drugs available in Canada that were identified by the National Committee as being rarely appropriate or always to be avoided in the elderly. We did note, however, that about 675 residents of long-term-care homes were given an antibiotic that the National Committee indicated should rarely be used or always avoided in the elderly because it is generally ineffective and has potential adverse side effects. While this is a small portion of the total number of long-term-care-home residents, we also noted that 20% of these individuals resided in just 12 homes, which included one of the homes we visited.

An April 2007 report in the *Archives of Internal Medicine*, a bimonthly journal of the American Medical Association, reviewed the variation in the use of antipsychotic drugs across 485 long-term-care homes in Ontario. It determined that about

one-third of residents were given a physician-prescribed antipsychotic drug, and that individuals residing in the homes with the highest average prescribing rates were three times as likely to be dispensed an antipsychotic drug as those living in homes with the lowest average prescribing rate, regardless of the residents' clinical indications.

### Psychotropic drugs

Psychotropic drugs are prescribed to address mental health disorders or severe behavioural problems like extreme agitation. This class of drugs has one of the highest rates of potential adverse reactions. While there were no legislative or other ministry requirements with respect to the use of psychotropic drugs at the time of our audit, Bill 140 will, when proclaimed, allow for regulations to be made.

Recognizing that psychotropic drugs can lead to side effects and result in medical and cognitive deterioration, the Ministry used to collect data annually on the rates of use of some of these drugs in long-term-care homes across the province. However, it ceased these collections in 2001 because of concerns over data accuracy.

One of the most common conditions treated with psychotropic drugs is dementia, which is not a specific disease but rather a descriptive term for a collection of symptoms caused by a number of disorders that affect the brain. One in 13 Canadians over the age of 65 has dementia.

Where the benefits of certain drugs outweigh the risks, they may be appropriate for some people with dementia. However, an article in the *Journal of the American Medical Association* in 2005 concluded that most drug therapies, and psychotropic drugs in particular, are not generally effective in managing such symptoms of dementia as agitation and delusions. Although there was evidence of modest effectiveness in one group of psychotropic drugs, this was offset by an increased risk of stroke. The article indicated that interventions that do not require medications should be the first line of treatment

for dementia patients. As well, Canada's *National Guidelines for Seniors' Mental Health*, an evidence-based approach to the assessment and treatment of mental health issues in long-term-care homes, state that psychological and social interventions should generally be used prior to drug therapy.

Since psychotropic drugs have a higher risk of potential adverse effects, the Ministry initiated the *Strategy for Alzheimer Disease and Related Dementias* (Strategy) in 1999 to develop psychogeriatric consulting resources to help diagnose older persons at risk, including those demonstrating aggressive behaviour. The Strategy also sought ways to address the behaviours without first resorting to drugs. However, if drugs were deemed necessary, the Strategy included medication-monitoring forms that indicate possible adverse drug effects, as well as a half-hourly behaviour-monitoring form. These forms could be used after a new psychotropic drug was prescribed, or the dosage on existing medication was changed, to help assess the drug's effects. All of the homes we visited had some familiarity with the Strategy, or with a similar program run by the University Health Network, and all of the homes indicated that they periodically referred residents to one of these programs.

Two of the homes indicated that they used medication-monitoring forms for new or changed-dose psychotropic drugs. One of these homes used the Strategy forms. However, we saw no evidence that the forms were used for the new or changed-dose psychotropic drugs that we reviewed. The other home had developed medication-monitoring forms in response to a ministry compliance inspection recommendation and indicated that it had been using these forms since September 2006 for new or changed doses of psychotropic or pain medications. We reviewed the use of the forms and found that documentation regarding residents' reactions to new or changed-dose psychotropic or pain medications was only partially completed. Also, none of the cases we reviewed had

documented daily monitoring, despite this expectation as set out on the form. Of the files we reviewed where new or changed-dose psychotropic drugs had been prescribed, there were only two instances where a half-hourly behaviour-monitoring form, such as the one developed by the Strategy for monitoring residents, was used.

Two of the homes we visited had no criteria to identify those residents who should be referred to a psychogeriatric program such as the Strategy. Furthermore, although the Ministry indicated that it has provided related training to over 5,000 long-term-care-home staff, we were informed by the homes we visited that only a limited number of nursing staff had psychogeriatric training in accordance with either the Strategy's or the University Health Network's program. Similar concerns about the need for such training were raised by a coroner's jury following a 2005 inquest into the killing of two residents of a Toronto long-term-care home by a third resident.

### Drug Interactions

Residents in long-term-care homes often have a number of medical conditions requiring medication. Various studies have established that the likelihood of an adverse drug reaction increases with the number of medications taken by an individual. A 2005 article in the *American Journal of Medicine* that focused on the incidence of adverse drug events in two large long-term-care facilities, one of them in Ontario, also concluded that a higher number of regularly scheduled medications (which excluded medications taken "as needed") was associated with adverse drug events. Specifically, the study found that residents taking 12 or more regularly scheduled medications were more than twice as likely to experience an adverse event compared to those taking one to five regularly scheduled medications.

The Ministry indicated that system limitations made it impossible to provide us with information on the number of regularly scheduled medications being administered to long-term-care residents at any particular time. However, the pharmacists for the homes we visited provided us with information indicating that between 23% and 28% of residents at least 65 years of age were taking 12 or more regularly scheduled medications in early 2007. None of the homes we visited had specific policies or procedures for monitoring residents who take a large number of medications.

As mentioned earlier, the pharmacy may generate notices about potential adverse drug reactions and drug interactions when a new medication is prescribed for a new resident and may contact the physician to discuss the situation. At our request, the Ministry produced a report on drug interaction notices generated by the Ontario Drug Benefit Program for each long-term-care home. Drug interaction notices are updated monthly, on the basis of the results of research provided by a third-party organization specializing in medication management. The most serious of these notices, called level-1 alerts, indicate a drug combination that is clearly contra-indicated in all cases and should not be dispensed or administered. These alerts occur relatively infrequently compared to the total number of drugs dispensed. However, the Ministry report showed that, in 2006, 91% of the more than 18,000 level-1 alerts were overridden by pharmacies and dispensed to residents at 421 homes. We also found that 90% of the more than 700,000 level-2 alerts were overridden and dispensed in 2006. While level-2 alerts are less serious, there is still a risk of severe adverse reactions from the drug interaction. We further noted that at four homes (which did not include any of the three homes we visited), level-2 alerts were generated and overridden for at least 20% of all drugs dispensed, as compared to a median of 3% for all homes.

We acknowledge that in these instances pharmacists may have contacted the prescribing physician to obtain approval to override the alert. As well, many of these alerts may simply be repeat or otherwise unnecessary warnings because, for example, the Ministry's system generates the same notice each time a prescription is filled, even if the resident has tolerated the drug combination and it has previously been overridden by the pharmacist. However, the Ministry was not able to determine the number of unique alerts. Therefore, although the Ministry's system may exaggerate the incidence of alert overrides, this remains a concern both given the high number of alert overrides noted and the incidence of under-reporting of adverse drug reactions previously noted.

As well, while recognizing that medications are prescribed and dispensed by health-care professionals, we believe the Ministry, in collaboration with the College of Physicians and Surgeons of Ontario, should periodically monitor override data and follow up if the frequency of unique overrides seems high.

## RECOMMENDATION 2

To help reduce the risk of adverse medication reactions in residents, long-term-care homes should:

- ensure that residents more likely to experience adverse reactions—those taking a new higher-risk medication, for example—are monitored more closely than other residents and that results of this monitoring are documented;
- develop and implement policies to ensure consistent identification and documentation of adverse drug reactions, so that action can be taken to prevent future occurrences; and
- adopt consistent criteria for referring residents to specialized psychogeriatric programs and ensure that sufficient staff are appropriately trained in those criteria.

In addition, the Ministry of Health and Long-Term Care, in collaboration with the College of Physicians and Surgeons of Ontario (CPSO), should periodically review the use of higher-risk drugs at long-term-care homes, as well as the frequency with which residents receive drugs with unique drug-to-drug interaction alerts, or alternatively provide access to this information to the CPSO and other appropriate regulatory bodies so that appropriate follow-up action can be taken where the use of higher-risk drugs and the frequency of pharmacist overrides of alerts seem unduly high.

## SUMMARY OF LONG-TERM-CARE HOMES' RESPONSES

The homes generally supported this recommendation. One home indicated that it was now more closely monitoring residents who were at a higher risk of adverse drug reactions in addition to other high-risk individuals, such as new residents. As well, this home had established practices to address the consistent identification and documentation of adverse drug reactions and had criteria in place for referring residents to specialized psychogeriatric programs. Two of the homes highlighted that they were taking advantage of Ministry-funded opportunities to increase the number of staff with specialized training provided by psychogeriatric consultants in the community, as well as providing staff with a variety of related training initiatives, including medication monitoring. The third home indicated that it thought the Ministry should make specialized training available for selected nurses in long-term-care homes, and commented that at the time of its response the Ministry was providing little funding to train staff. This home also noted that retaining staff with this specialized training was difficult, as these people often sought positions elsewhere.



## MINISTRY RESPONSE

The Ministry supports the first part of this recommendation and will work with long-term-care homes and other partners, such as Local Health Integration Networks, to identify opportunities to better help them meet all aspects of this recommendation. The common resident assessment system, now being implemented in 25% of the homes, supports the improvement of medication-management practices both at the level of the individual home and system-wide across all homes. This system will ensure that homes have drug-related quality indicators to allow care providers to identify those residents at potentially higher risk who should receive increased monitoring related to medication effects. The system will also generate resident outcome reports, which would include medication management. As well, the Ministry has identified opportunities for collaboration with the Institute for Safe Medication Practices Canada (Institute) on its self-assessment tool for long-term-care homes. This will help homes identify opportunities for improvement with regard to medication management. The Ministry intends to work collaboratively with the Institute to encourage long-term-care homes to take advantage of this initiative.

The Ministry notes that issues pertaining to specific prescribing practices are matters of professional practice and within the purview of the prescribing physician. The Ministry relies on the professional judgment of regulated health professionals in determining the type and extent of medications required by individual residents. However, the Ministry recognizes the potential for risk surrounding multiple medications, especially among seniors, and supports the sharing of information and collaborative care models of the regulated professionals in this area.

## SAFEGUARDING MEDICATIONS

### Controlling Access to Medications

Regulations under the *Nursing Homes Act* and the *Charitable Institutions Act* require that medications be locked in cabinets (such as medication carts), storerooms, or, if applicable, refrigerators. Locking up medications helps prevent inappropriate access by residents, staff, or others in the home. We found that the homes we visited stored most prescription drugs in medication carts, which are used throughout the homes to assist nursing staff in delivering drugs to residents.

### Keys and Codes to Access Medications

We found that none of the homes we visited had documented policies regarding which staff should have keys to access medications. We found that none of the homes maintained a record of which staff were assigned which keys.

One of the homes used numerical keypad combination locks on three of its six medication carts, which had been provided by their contracted pharmacy. This would be a good control if each individual could be assigned a unique combination as it would help track the persons who had access to carts. However, the carts at this home did not have this capability. In fact, we found that two of these carts used the same access code, and that all nursing staff working on each wing of the home were provided with the same code. Furthermore, we were informed that a master code, allowing access to the three carts, was posted in medication rooms. Consequently, approximately 30 nurses and others who had access to the medication room could use the master code to unlock any of these carts at any time while leaving no record of their access.

### Locking Medication Rooms

The medication rooms at the homes we visited were used primarily to store medications supplied

by the Ontario Government Pharmaceutical and Medical Supply Service. The rooms also housed drugs awaiting destruction, medication carts not in use, and those drugs requiring refrigeration. One of the homes indicated that senior management performed periodic checks to ensure that medication rooms were locked. However, there was no documentation of the frequency or results of these checks. The other two homes did not have policies to conduct regular checks.

### Locking Narcotics and Other Controlled Substances

A regulation under the *Nursing Homes Act* requires that narcotics be stored under double-lock (for example, locked in a compartment within a locked medication cart). However, under the *Charitable Institutions Act*, other controlled substances are also required to be double-locked. We found that all the homes we visited had general policies for double-locking narcotics.

Health Canada classifies certain drugs, including narcotics, as controlled substances. According to Health Canada, controlled substances are “any type of drug that the federal government has categorized as having a higher-than-average potential for abuse or addiction.... Controlled substances range from illegal street drugs to prescription medications.” One type of controlled substance that was frequently administered in the homes we visited is benzodiazepines, which may be prescribed as a sedative or to ease anxiety. However, the homes all handled these drugs in the same way as other non-narcotic drugs because there was no requirement for additional security measures. Therefore, benzodiazepines may be readily accessible if a medication cart is left unlocked and unattended. In addition, we noted instances at two homes where benzodiazepines were missing from the emergency drug stock and could not be accounted for.

### Tracking Medication Use

According to the Ministry’s *Long-Term Care Homes Program Manual*, all medications administered to a resident should be recorded. The homes we visited generally required the nurse to document medication taken by a resident on the resident’s medication-administration record. If a medication is not administered (for example, the resident refuses the drug) the homes also require this to be recorded on the resident’s medication-administration record. For medications not received in weekly “strip packaging,” as well as for narcotics and other drugs that may be more susceptible to theft, periodic reconciliation of the medications administered with the medications received and those remaining helps provide assurance that drugs have not been misappropriated or wasted, and that the resident’s medication-administration record is accurate.

At all of the homes we visited, nursing staff were to record the administration of narcotics on the resident’s individual medication-administration record. They would then note the decrease in the quantity on hand on the narcotic-medication record stored with the remaining narcotics. Two of the homes also used a shift-change narcotics-count sheet, showing the number of narcotics on hand for each resident on a particular floor or wing of the home. The nurse going off shift and the one coming on duty both signed the count sheet, indicating their agreement with the quantity of narcotics on hand. We found these forms were generally completed at the homes we visited. However, none of the homes performed periodic test checks to ensure that these different records could be reconciled. One home’s pharmacist did indicate that, in some cases, the pharmacy would reconcile a resident’s individual narcotic sheet with the narcotic shift-change count and, in the event of a discrepancy, compare these tallies with the medication-administration record. However, we did not see any documentation that this had been done during 2006 or the first few months of 2007.

As the homes did not periodically reconcile these narcotics records, we reviewed a sample of medication-administration records, narcotic-medication records, and shift-change narcotics-count sheets where used. We noted discrepancies between these records at all of the homes. For example, we noted an instance where the resident's medication-administration record was signed showing that narcotic pills had been administered even though the shift-change count sheet said there were no pills available. We also noted an instance where the shift-change narcotics-count sheet decreased by more pills than had been dispensed according to the medication-administration record.

While Canadian federal legislation is not as explicit in requiring specific procedures to be conducted, we noted that legislation in the state of Michigan requires in-patient health facilities with pharmacy services to keep records on the number of doses dispensed for all controlled substances. Michigan also requires that a physical inventory count be conducted each year, and that the status be determined of any discrepancies between this inventory and acquisition and dispensing records.

### RECOMMENDATION 3

To better safeguard medications against possible theft or accidental misuse, long-term-care homes should:

- ensure that staff access to drugs is limited as much as practicable, and in accordance with legislation and standards, regardless of where the medications are stored; and
- periodically reconcile records of drugs administered with those received and on hand for narcotics and other drugs that may be more susceptible to theft (such as benzodiazepines), and take immediate follow-up action if the reconciliations indicate unaccounted-for narcotics.

### SUMMARY OF LONG-TERM-CARE HOMES' RESPONSES

The homes generally concurred with this recommendation. However, one home highlighted that guidelines alone would not prevent theft of medications, and therefore was considering establishing a process to follow in the event of a suspected theft, to help catch the perpetrator.

Another home indicated that, to further improve its safeguarding of medications, it has now implemented a process to sign out extra keys used by registered nurses to access medications. In addition, this home indicated that it was now reconciling medication records for narcotics on a regular basis and that it would review, in collaboration with its contracted pharmacy, the viability of periodically reconciling records for other medications more susceptible to theft. The home indicated that electronic processes may assist with this, as the tracking process can be difficult.

The third home stated that it was collaborating with its contracted pharmacy to research medication carts and determine which carts were the safest for medication administration in long-term-care homes. Furthermore, the home, in collaboration with its contracted pharmacist, was developing a process for reconciling narcotic control sheets with resident medication-administration records at a defined interval that meets best practice standards.

### MINISTRY RESPONSE

The Ministry supports this recommendation and will work with long-term-care homes and other partners, such as Local Health Integration Networks, to identify opportunities to better help long-term-care homes meet this recommendation.

## EXPIRED MEDICATIONS

Most medications have a limited life, after which they generally become less effective. In some cases, they may even cause new adverse reactions after expiry. All of the homes we visited had policies on checking to ensure that medications were still current, although one home's policy was not documented. As well, while one home indicated that medications should be checked monthly, the two others did not have an established frequency for verifying that drugs had not expired. We were informed that a consultant from each home's pharmacy also performed spot checks to ensure that medication had not expired, although this process was not documented in one home.

### Multi-Dose Medication Containers

At the homes we visited, most medications dispensed by the pharmacy were administered to residents within a week. However, some residents were prescribed drugs such as eye drops, inhalers, and nasal sprays that come in multi-dose containers and are administered on a daily or as-needed basis. These medications have a “best-before” date while sealed and generally expire within a specific number of days after being opened. Such medications, when prescribed for daily use, would generally be fully used up prior to expiry. However, drugs prescribed on an as-needed basis are at greater risk of expiring before they are fully used up because they are usually taken irregularly.

Two of the homes we visited had a policy of recording on the container the date that medications such as eye drops, inhalers, and nasal sprays were opened to ensure that they would be disposed of before expiry. Because these medications can expire at different times after opening—for example, some after one month, others after three months—the practice at one home was, in certain instances, also to record the date for disposal on the container. At these two homes, we reviewed

medication carts used to secure and store medications for administration to residents. We found that, while one home recorded the opening date on almost all of these products in accordance with its policy, the other recorded the opening date on only half the inhalers and eye drops that we reviewed. We also noted that several inhalers at one of these homes had expired between one and three months prior to our review. Furthermore, in some cases, the expired medications had been administered to residents.

The third home relied on the pre-printed “best-before” dates to determine whether eye drops, inhalers, and nasal sprays had expired. We could therefore not assess whether medications in its carts had expired on the basis of when they were opened. However, we noted a couple of instances where the medications had passed their printed “best-before” date. As well, the “best-before” date could not be seen on about one-third of the medications we reviewed because it was covered by a pharmacy label, so neither the home's staff nor we could readily determine whether these medications had expired.

### Emergency Drug Stock

Long-term-care homes generally stock certain medications to meet emergency needs of residents. Homes select these medications with input from their pharmacist and sometimes from a physician, and the physician may approve the medications in the emergency drug box. All of the homes we visited maintained an emergency drug stock containing between 20 and 50 different medications or dosages. Two of the homes included narcotics in their emergency drugs. As well, all three homes had policies on reviewing the emergency drugs, ranging from monthly or quarterly to “regularly,” to ensure that they had not expired and were still appropriate for resident needs. Use of these emergency drugs ranged between 40 and 200 times a year, varying with the size of the home.

We reviewed the emergency drug stock at the homes we visited and noted the following:

- At one home, the emergency stock was complete with no expired drugs.
- At one of the other homes, we found that almost 30% of the different types of emergency drugs had expired—in one case, the medication had expired 10 months earlier. As well, two drugs on the emergency list were not stocked and another five were not maintained at pre-defined minimum quantities. There was no documentation to show when the emergency drug stock had last been reviewed to ensure its completeness and appropriateness.
- At the third home, no minimum and maximum quantities had been established for about 55% of emergency medications, including five narcotic drugs, two of which were stored in various dosages. Where minimum quantities had been established, more than half of these emergency medications were below the minimum level at the time of our audit. We further noted instances where there were two or fewer pills of certain emergency drugs for as long as two to four weeks before they were replenished.

### Ontario Government Pharmaceutical and Medical Supply Service

The Ontario Government Pharmaceutical and Medical Supply Service (Service) provides certain drugs, such as acetaminophen (generic Tylenol), cough medicine, laxatives, and vitamins free of charge to long-term-care homes for their residents. For the most part, these drugs are administered to residents only if a doctor has prescribed their use. There is no limit on the quantities of these drugs a home can order from the Service, and the Ministry does not monitor the extent to which long-term-care homes use the drugs for their residents. In addition, the long-term-care homes we visited

did not monitor the extent to which these drugs were used. At these homes, drugs received from the Service were stored in a medication room and, in one case, in the office of the home's director of care. In general, nursing staff obtained bottles of pills from storage, and kept them in their medication cart or another secure area in their unit of the home for easy access when required. One home indicated that nurses had previously stocked up on drugs for their particular unit of the home, resulting in medications expiring unused because there were more on hand than required to meet resident needs. This home therefore implemented maximum order quantities to help reduce overstocking of medications.

Drugs received by the homes free of charge from the Service were generally supplied in large quantities and not designated for a specific resident. Each of the homes had different policies and practices for determining how much medication to order from the Service. However, none of the homes had a process to reasonably estimate the drugs they needed from the Service when they needed them.

We reviewed drugs from the Service and found that all homes we visited had expired medications continuing to be stored alongside similar medications awaiting resident use. At one home, some bottles of one type of medication had expired four months earlier and two other types of medications were more than a year past their expiry date. Furthermore, none of the homes had consistently monitored the extent to which these drugs expired before they were used to better ensure that they order only what they need in future.

### RECOMMENDATION 4

To help ensure that residents receive safe and effective medications, long-term-care homes should implement processes to ensure that medications approaching expiry are identified and removed from use upon expiry.



In addition, to ensure that adequate (but not excessive) levels of medications are available when needed, long-term-care homes should establish minimum reorder levels and maximum order quantities for medications in the emergency drug stock and for medications supplied by the Ontario Government Pharmaceutical and Medical Supply Service in accordance with resident usage.

### SUMMARY OF LONG-TERM-CARE HOMES' RESPONSES

The homes generally supported the recommendation. One home commented that, in conjunction with its contracted pharmacy, it has reviewed and revised its process for inspecting and removing from use medications approaching expiry. Furthermore, this home indicated that related ongoing education and training would be provided to staff. Another home indicated that it was planning to implement a verification process to identify and remove from use medication that was approaching its expiry date. The third home commented that it has developed a process to review its Ontario Government Pharmaceutical and Medical Supply Service medications on a monthly basis for expired items. In addition, the home intended to collaborate with its contracted pharmacy in investigating best practices for determining the expiry of medications in multi-dose containers, such as eye drops and inhalers, once they were opened, and planned to make a recommendation to its Pharmacy and Therapeutics Committee based on best practice standards.

With respect to medications supplied by the Ontario Government Pharmaceutical and Medical Supply Service, one home indicated that it was now monitoring orders and following up when order quantities increased. It also indicated that the implementation of strip

packaging has decreased the need for large quantities of oral tablet medications to be kept at the home. Another home commented that its Professional Advisory Committee would complete a review of its emergency drug stock.

### MINISTRY RESPONSE

The Ministry supports this recommendation and will work with long-term-care homes and other partners, such as the Local Health Integration Networks, to identify opportunities to better help long-term-care homes meet this recommendation.

### DESTRUCTION OF EXCESS MEDICATION

Excess quantities of medications occur at long-term-care homes when drugs dispensed by the pharmacy or supplied by the Ontario Government Pharmaceutical and Medical Supply Service (Service) are not administered to a resident. This can happen, for example, when changes are made to a resident's treatment plan, when medications expire prior to use, or on the death or discharge of a resident.

#### Safeguarding Drugs to be Destroyed

At the three homes we visited, discontinued drugs awaiting destruction, including narcotics, were generally kept locked. While larger quantities of narcotics were locked in a separate compartment in the medication room, carts, or senior management's office, other drugs and smaller quantities of narcotics (a three-day supply or less) were generally kept in unlocked bins in a locked medication room.

## Responsible Disposal of Excess Medication

The *Nursing Homes Act* and the *Charitable Institutions Act* both require that excess medication resulting from a resident's discharge or death be recorded and destroyed. As well, the *Nursing Homes Act* requires the destruction of excess medication resulting from a change in a resident's drugs. Destruction records are to include details such as the resident's name, the drug name, the reason for destruction, and the date of destruction.

All the homes we visited had policies to destroy excess medication arising from these and other situations. We found that two of the homes we visited also had their own documented policies indicating that all drugs to be destroyed, including those that were discontinued, were to be tracked. However, none of the homes consistently recorded all the information required under legislation or by their own policies on medication destruction. At one home, for example, more than half of the approximately 400 recorded entries for drug disposal did not include all the required information.

Legislation also requires that a nurse and, generally, either a pharmacist or physician be present when drugs are destroyed. At the homes we visited, the director of care, who is a nurse, and the home's pharmacist generally oversaw the destruction process. Senior staff in two of the homes indicated that overseeing the destruction process was time-consuming because drugs had to be removed from their packaging and generally matched to the list of drugs to be destroyed. They said their time could be more effectively used on direct resident-care activities within the home. The third home had contracted with a biohazard waste company to remove their medications and destroy them, with no requirement for the home or pharmacist to remove medication from its packaging in advance. We noted that the homes may destroy significant quantities of medications. For example, our review of the destruction records at one of the homes we

visited indicated that more than 1,000 narcotics pills were destroyed in four months in 2006.

Nurses at two of the homes we visited were responsible for providing excess narcotics to senior management for destruction. At the third home, surplus narcotics in excess of a three-day supply were double-locked in medication carts until they could be collected by senior management for destruction. Smaller quantities were stored in unlocked bins in the medication room. However, we noted that there were no controls at any of the homes to ensure that all excess narcotics were forwarded to senior management or otherwise stored as required. For example, we found that senior management at the homes did not periodically compare information on their narcotic tracking forms to ensure that they had received all excess quantities of narcotics. We selected a sample of such forms and found instances where we would have expected narcotics to be on the destruction list, but they were not. For example, we identified one resident who had morphine administered on an as-needed basis. However, the list of drugs to be destroyed upon the resident's death did not include the remaining morphine pills, nor was there any record of the drugs having been destroyed.

The National Association of Pharmacy Regulatory Authorities (NAPRA) has noted that unused drugs can be made available to developing countries through various programs, and that the World Health Organization has published guidelines for drug donations. Also, provincial regulations in Manitoba permit drugs in sealed unopened containers to be repackaged for another person in certain circumstances. However, Ontario does not allow the repackaging or the donation to a developing country of unopened drugs resulting from a resident's discharge or death or, in the case of nursing homes, from a change of a resident's medications, because legislation requires the destruction of these drugs.

The Ontario College of Pharmacists' *Standards for Pharmacists Providing Pharmacy Services to Licensed Long Term Care Facilities* notes the importance of ensuring compliance with environmental requirements and ethical principles when destroying drugs in a long-term-care home. It also says the destruction should be conducted in an environmentally appropriate manner. Although all of the homes we visited had policies requiring the documentation of destroyed medication, and one indicated how frequently drugs should be destroyed, none had a documented policy on *how* drugs were to be destroyed. Furthermore, our interviews with nursing staff indicated that, at two of the homes, medications (including narcotics) were not always disposed of in an environmentally responsible manner, with wasted pills (for example, pills accidentally dropped on the floor) sometimes being discarded in the regular garbage. As well, injectable narcotics were disposed of in a variety of ways. We were informed by nursing staff at one of these two homes that these methods included squirting the residual contents into a tissue and throwing the tissue into the garbage, depositing the opened vial and its contents in a disposal container for syringes and other sharp objects, and taking the unused contents of the vial to the director of care. At the other home, injectable narcotics were sometimes deposited in a disposal container for sharp objects or poured down the drain. The Environmental Commissioner of Ontario's 2004–2005 Annual Report indicated that pharmaceuticals in Ontario waterways have the potential for significant environmental impacts.

### Reviewing Medication Waste

The Ministry's *Long-Term Care Homes Program Manual* notes that a home's pharmacy and therapeutics committee—which, at the homes we visited, included the pharmacist, director of care, and

administrator—should be responsible for reviewing drug-destruction records to identify and make recommendations about any unnecessary waste. However, none of the homes we visited had assessed the extent of waste from excess medications or expired medications, or the extent to which medications are wasted through, for example, accidental spills.

Prior to June 2006, homes had the option of returning expired medications originally received from the Ontario Government Pharmaceutical and Medical Supply Service back to the Service for destruction. The Ministry said the Service stopped accepting these returns after some homes sent back medications that did not originate with the Service, as well as syringes, laboratory samples, and other items that they should have disposed of themselves.

### RECOMMENDATION 5

To help minimize medication waste and potential misappropriation, as well as to promote the efficient and environmentally responsible disposal of excess medication, long-term-care homes should:

- in conjunction with the Ministry of Health and Long-Term Care and the Local Health Integration Networks, review ways to streamline the drug-tracking and -destruction process while retaining sufficient safeguards over this process; and
- periodically monitor staff to ensure that they are following accepted policies for disposing of expired and excess medication.

While developing regulations for Bill 140 (the new act on long-term-care homes), the Ministry of Health and Long-Term Care should also consider the feasibility of alternatives such as those used in other jurisdictions with respect to the destruction of unopened packaged medications that are still usable.

## SUMMARY OF LONG-TERM-CARE HOMES' RESPONSES

The homes generally supported this recommendation, and one home indicated that it had a well-established drug-destruction process in place that is a responsibility shared between the home and its contracted pharmacy. It also commented that an electronic tracking process would enable the home to share information and produce meaningful reports that would benefit its residents. Another home indicated that, although the current process was time-consuming, it was necessary in order to meet required standards. This home also indicated that, in conjunction with its contracted pharmacy, it was determining the viability of using a bar-coding system to track medications better while enhancing security and accountability. As well, the home noted that more frequent destruction of medications may help to reduce the risk of misappropriation, and expressed an interest in participating on a working committee with the Ministry of Health and Long-Term Care to review ways to streamline the drug-tracking and destruction process.

Furthermore, one of the homes recommended that environmentally sound disposal of medications should be in place across all health-care settings. This home also commented that it has updated its existing policy to include safe disposal methods for all medications. Another home indicated that it would further strengthen its staff training on the disposal of medications.

## MINISTRY RESPONSE

The Ministry supports this recommendation and will work with long-term-care homes and other partners, such as Local Health Integration Networks, to identify opportunities to better help long-term-care homes meet this recommendation.

As well, the Ministry will consider the feasibility of alternatives to the destruction of unopened packaged medications when developing regulations for Bill 140. This will involve reviewing practices in Ontario and other jurisdictions, and working with the Ministry's partners.

# Ontario Sex Offender Registry

## Background

The Ministry of Community Safety and Correctional Services (Ministry) works to ensure the safety of Ontario's communities by providing secure, effective, efficient, and accountable law enforcement and correctional services. Ministry responsibilities include establishment of policing standards, provision of front-line policing services in accordance with those standards, and supervision of offenders in provincial correctional institutions and in the community. The Ministry is also responsible for the Ontario Sex Offender Registry (Registry).

According to Statistics Canada, 27,000 sexual offences were reported to the police across the country in 2002. Of these, 7,300 went to court, resulting in about 3,000 convictions. Some 61% of victims in the 27,000 cases were under the age of 18. Following a 1992 inquest into the brutal murder in 1988 of 11-year-old Christopher Stephenson by a convicted pedophile, a coroner's jury recommended the creation of a mechanism to register convicted and dangerous sex offenders with the local police.

The Ontario government accepted the recommendation and introduced a bill called Christopher's Law (Act) in April 2000. The Act, proclaimed the following year, established the Registry to

track the whereabouts of persons living in Ontario but convicted anywhere in Canada of one or more designated sexual offences under the Criminal Code of Canada. Examples of such offences are sexual assault, sexual interference, and possession of child pornography. The Act also applies to every offender still serving a sentence for these offences at the time the law came into force.

Ontario was the first Canadian jurisdiction to create a sex offender registry, although they have existed in the United States since the 1940s. Ontario's Registry is managed and maintained by the Ministry's Sex Offender Registry Unit (SOR Unit) within the Ontario Provincial Police (OPP). The more than 140 municipal police and local OPP services in the province are responsible for registering and monitoring offenders living in their jurisdictions. At the time of our audit, there were over 7,400 registered offenders.

A more recent development in the registration and monitoring of sex offenders is the National Sex Offender Registry (NSOR), created by federal legislation in 2004. A comparison of key legislative provisions of the two registries is provided in Figure 1. There have been efforts to co-ordinate the activities of the two registries and minimize unnecessary duplication.



**Figure 1: Comparison of Ontario and National Sex Offender Registries**

Prepared by the Office of the Auditor General of Ontario

	Ontario Sex Offender Registry	National Sex Offender Registry
legislation	<i>Christopher's Law</i>	<i>Sex Offender Information Registration Act</i>
starting date	April 23, 2001	December 15, 2004
who must register?	all Ontario residents convicted of a designated sexual offence anywhere in Canada	any Canadian resident convicted of a designated sexual offence and ordered by a court to register
access to the registry	directly accessible by all Ontario police services 24 hours a day, 7 days a week	local police contact a provincial NSOR centre and request information
# of registered offenders (as at January 2007)	7,400	9,400

## Audit Objective and Scope

The objective of our audit was to assess whether the Ministry of Community Safety and Correctional Services (Ministry) and the OPP have adequate systems, policies, and procedures in place to ensure that the Ontario Sex Offender Registry (Registry) satisfies the legislative requirements, and efficiently and effectively supports police investigations of sexual crimes.

We identified audit criteria for meeting our audit objective. These were reviewed and accepted by senior ministry and OPP management. Our audit included examination of documentation, analysis of information—including the use of a number of computer-assisted audit techniques for analyzing Registry data—interviews with ministry and OPP staff, and visits to five local police services. We also surveyed 100 local police services across the province, asking for their views on the Registry and how to improve it. We were pleased with the 76% response rate and the input from respondents.

We did not rely on the Ministry's internal auditors to reduce the extent of our procedures, as they had not conducted any recent work involving the Registry.

## Summary

A dedicated team of OPP officers and support personnel from the Ministry of Community Safety and Correctional Services (Ministry) has worked diligently and cost-effectively over the last six years to create a working registry that helps the police investigate sexual crimes and monitor sex offenders in their local communities. While considerable progress has been made, the registry system is not yet functioning adequately to serve its intended purpose.

In our audit, we identified a number of areas where the Ministry and the OPP need to strengthen procedures to ensure that all offenders who should be in the Registry are registered, and to make the Registry more useful for police investigations.

Among our most significant observations:

- The Act requires that police services register offenders when they have completed their custodial sentences. However, the Act does not refer to the many offenders living in the community, such as those on day parole or in intermittent sentence programs, those awaiting appeal decisions, and, in some cases, those found not criminally responsible because of mental illness.

- We identified 365 offenders who should have been registered or recorded in the Registry but were not, either because data files received from the Ministry's Offender Tracking Information System were incomplete (175) or because offender records from another system maintained by the provincial courts had not been included (190). In addition, there was no process for ensuring that young offenders who receive adult sentences were registered.
- The Ministry has never obtained a list of the estimated 1,060 sex offenders in federal custody at the time of the Registry's inception. In addition, there has been no automatic data update or other reliable reporting mechanism established with the Correctional Service of Canada to inform the OPP or local police services when these offenders, who have usually been convicted of the most serious crimes, are released. As a result, the Ministry has little assurance that all offenders in the federal corrections system who live in Ontario are being systematically included in the Registry.
- Federal offenders temporarily detained in provincial institutions before being transferred to a federal facility are recorded in the Registry with what is known as a "footprint" record, but these records were incomplete. Our review identified 360 offenders who appeared to have been subsequently released into Ontario communities from federal custody but were not registered in the Ontario Registry—a complete "footprint" record might have helped to prevent this.
- The process for deleting offender records from the Registry needed improvement. Over 730 deletions had not been properly logged, and we were unable to determine if all were legitimate. In addition, the Ministry had no procedures for ensuring that it was notified if a pardon was revoked so that the offender could be re-registered.
- Local police follow-up procedures on the 384 non-compliant offenders—those who did not register or do not re-register annually—varied widely, and there was no ministry guidance on what those procedures should be. While we noted that the overall registered offender compliance rate was quite high at 95%, this rate varied widely across local police services. In addition, almost 70 (18%) of the unregistered offenders had been in breach of the Act for more than two years. We tested a sample of these offenders and noted that, at two of five police services tested, arrest warrants had been issued for only about half of the offenders.
- Although the Ministry's Public Safety Division conducts frequent inspections of local police services to ensure that they comply with government regulations, activities relating to the Registry were not within the scope of these inspections at the time of our audit.
- While research indicates that time is of the essence when investigating possible sexual crimes such as child abduction, there are a number of limitations in the Registry tools available to investigators that inhibit efficient searches through the list of 7,400 registered offenders in the database. For example, there is no method of quickly searching the data on the basis of the sex and age of an offender's victim, the relationship (if any) between the victim and the offender, or the location of the crime. Being able to filter Registry data based on these attributes would help investigators more quickly identify and locate offenders of interest during investigations.
- Registry records did not always capture all offender information required under the Act that would be useful to investigators. For example, there were no photographs on file for 140 offenders. Moreover, only 560 records contained the addresses of the

offender's workplace or educational institution and more than 1,200 offender records had no detailed case information. The police had also never verified the residential addresses of nearly 650 offenders, thereby inhibiting their ability to find offenders quickly in an investigation.

- There is little evidence demonstrating the effectiveness of registries in reducing sexual crimes or helping investigators to solve them, and the Ministry has yet to establish performance measures for its Registry.
- Since its inception, nearly \$9 million in funding approved for registry operations was spent instead on other OPP operational areas. At the same time, we noted that the Sex Offender Registry Unit (SOR Unit) lacked the resources to complete a number of planned system corrections and enhancements. We were informed that the \$9 million approved for registry operations was reallocated to ease a number of operational pressures and financial constraints faced by the OPP.

We sent this report to the Ministry and invited it to provide responses. We reproduce its overall response below. The Ministry also provided separate responses to individual recommendations or a combined response to two or more recommendations. Those responses follow the recommendations in Detailed Audit Observations.

### OVERALL MINISTRY RESPONSE

The Ministry is proud of its commitment to enhance public safety by providing law enforcement agencies with a reliable and effective electronic tool and support services to track sexual offenders in our communities and improve the investigation of crimes of a sexual nature. The Ministry thanks the Auditor General for the constructive observations and recommendations put forth in this report and for his recognition

of the dedication and diligent efforts of the ministry personnel who worked cost-effectively to create the Ontario Sex Offender Registry (Registry) over the last six years. We also thank the Auditor General for highlighting the Ministry's implementation of the policy to personally notify offenders of their duty to register with the police jurisdiction in which they reside to improve compliance. The relationship developed from the implementation of the Registry between the Ministry, provincial correctional services, and police services has helped maintain a strong provincial compliance rate for this ministry program of approximately 95%.

As the Auditor General indicates, the Registry provides front-line police personnel with a useful investigative tool, with search features such as the geographical mapping of offenders' addresses and other search and sorting features, which help the ministry and police-services initiatives to improve overall public safety.

## Detailed Audit Observations

The Ontario Sex Offender Registry is a relatively new law enforcement tool available to Ontario police. The Ministry has reason to be proud of its work to date on this initiative, for over the last six years it has transformed the Registry from a working concept to a database that now contains useful information to assist police in monitoring sex offenders in their local communities and investigating sex crimes. The Registry has also been developed at moderate cost, with an annual budget of approximately \$4 million, of which \$1 million is dedicated to system development and maintenance. However, further work is needed to ensure that the Registry effectively supports police efforts to investigate and mitigate the risk of sexual crimes.

Our audit observations address six major themes: gaps in registration and registry completeness; offender monitoring and compliance; support for investigations; registry training and support; registry availability and security; and on the Registry's effectiveness.

## COMPLETENESS OF THE REGISTRY

The more complete the Registry, the more useful it is to police who investigate sexual crimes. To be complete, the Registry must include the names of all sex offenders who should be registered, along with comprehensive and up-to-date information about them.

### Notice of Duty to Register

The Act requires all offenders who have completed a custodial sentence or are released on parole to register in person with local police within 15 days of release. Offenders not sentenced to a jail term but placed instead on probation or given a conditional sentence must also register within 15 days of conviction. Once registered, all offenders must re-register annually for a minimum of 10 years. Repeat offenders and offenders sentenced for a period of more than 10 years must register for life.

Although there is no requirement under the Act for offenders to be notified that they must register, the Ministry and local police services have a policy of issuing offenders a notice of duty to register. While our analysis indicated that most offenders were served with these notices, some 400 offenders had never been issued theirs by the local police services. Of these, nearly 17% had failed to register, a rate more than three times higher than the overall non-compliance rate of 5%. This difference underscores the value of notices in maintaining high compliance levels.

## Limitations on Registration Requirements

The Act requires every offender living in Ontario to register with the local police "within 15 days after he or she is released from custody after serving the custodial portion of a sentence in respect of a sexual offence." This legislative provision has proved problematic for the OPP in administering the Registry because the demarcation point between being "in custody" and being "released" is not always clear-cut. For example, many offenders get day parole, giving them freedom in their local community during the day but requiring them to return to a correctional facility or halfway house at night. Others serve their custodial time through an intermittent sentence, which allows them, for example, to work in the community during the week and return to jail on weekends. Offenders in these situations do not have to register because they are not deemed to have completed a custodial sentence as cited in the Act.

There has also been confusion regarding the registration obligations of offenders who appeal their convictions. Prior to September 2005, offenders not serving time in a correctional facility who launched appeals were not required to register while their cases went through the appeal process. If the courts subsequently upheld the conviction, the offender would then have to register. However, we found during our audit that only one of the police services we visited followed up on these appeal cases to determine if the convictions were upheld. We found no other mechanism in place to ensure that such offenders register. In September 2005, the OPP began requiring appellants to register while awaiting the outcome of their appeals, but we noted that this policy was reversed toward the end of our audit on the advice of the Ministry's legal counsel.

Another issue relates to offenders found not criminally responsible because of mental illness. The Ontario Review Board (ORB) of the Ministry of Health and Long-Term Care monitors all such

offenders and reassesses their cases annually. The disposition of such cases may include a decision to keep the individual in custody or issue a conditional or absolute discharge. The Act requires all such offenders who receive an absolute or conditional discharge to register, and our tests of ORB records found that such individuals were indeed in the Registry. However, many of these offenders who had not yet been discharged were exercising what is known as “community privilege,” meaning they could choose to live in the community before their actual discharge date. These individuals are not required to register until they are formally discharged.

### Offenders in Provincial Custody

An offender incarcerated in a provincial correctional institution is tracked in a ministry system known as the Offender Tracking Information System (OTIS), and a “footprint” record of the offender is created in the Registry. This footprint record is activated once the offender is released from the institution, and the offender must register with police in the community where he or she takes up residence within 15 days of release. Offenders on probation and those serving conditional sentences, are also tracked in OTIS.

When the Registry was established in 2001, it was initially set up using information extracted from all sex offender records maintained in OTIS. The SOR Unit continues to rely on OTIS as a prime source of information for daily updates of registry data, including any revisions to existing offender records, such as sentence or release-date adjustments. During our audit, we reviewed the completeness of this transfer process by comparing data in the Registry with an extract from OTIS of all sex offenders who should have been registered or recorded. We identified 175 offenders with records in OTIS who either had never had a footprint record created in the Registry or had never been registered on completion of their sentence.

While OTIS is a good data source for the Registry, it does not track all convicted offenders. We therefore obtained a separate complete listing from the provincial court system of all sex offenders who, according to the records in this list, should have either been registered or had a footprint record created in the Registry. We compared these data with the registry database and identified another 190 offenders not in the Registry. It is important to remember that offenders not in the Registry are not monitored by local police or identified when police search the Registry in connection with an investigation.

Another completeness issue relates to young offenders convicted of sexual crimes. Any such offender convicted and given an adult sentence is required to register. However, the majority of these young offenders serve their custodial sentence in one of the eight youth detention centres in the province rather than in adult institutions. Records for these offenders are not stored in OTIS, and there were no procedures for ensuring that these offenders were registered in the Registry upon their release from the institution.

### Offenders in Federal Custody

Offenders getting a custodial sentence of two or more years are jailed in federal correctional institutions. In early 2001, the Correctional Service of Canada (CSC) estimated there were approximately 700 sex offenders in its federal prisons in Ontario and another 360 in the province under community supervision, including parole or statutory release.

Although the Ministry had several discussions with its federal counterparts about obtaining a data feed from the federal system to ensure that these offenders were “footprinted” in the provincial Registry so their release date could be monitored, no data feed was ever established. Thus, there is no assurance that the Registry contains information on all offenders in federal custody since 2001, or in federal community-supervision programs.



We are concerned that the absence of a data feed from federal authorities or other reliable methods of obtaining footprint information means that offenders who complete their custodial sentences and are released from a federal institution may not get registered. In this regard, we noted that there was no formal process for CSC to inform the Ministry that it is releasing a sex offender. The Ministry currently relies on a more informal process of communication between federal correctional institutions, federal parole offices, and local police services. While local police do register released offenders when they are made aware of them, the police services we visited had little confidence that the current process ensures that they are made aware of all of them. Although high-risk offenders usually have a release plan and local police services are notified, we found that this practice varied across the province, and local sexual crime units, which actually enter the data into the Registry, were not always informed of such cases.

When federal offenders are temporarily detained in provincial institutions before transfer to a federal institution, a footprint record is created in the Registry. The SOR Unit informed us that it reviews these footprint records, notifying these offenders before their release from the federal institution of their obligation to register and activating these records once offenders are actually released. Often, however, we found that the Ministry had no information about the release date for such offenders to ensure that this process had been followed. Our analysis identified 360 offenders with records indicating that they had been released from a federal institution but never subsequently registered.

More serious sexual offences are usually heard before the Superior Court of Justice, and convicted offenders in such cases may be sent directly to federal institutions. In these cases, there is no temporary placement in a provincial institution, so the Ministry has no footprint records in the Registry for such individuals. Data from the Ministry of the

Attorney General indicate that there have been over 3,400 offence referrals of this type since 2001. The Ministry does not receive information on these cases and has no mechanism to ensure that these individuals register when they are released.

### Offenders from Other Canadian Provinces

The Ministry of Finance estimates that about 64,000 people move into Ontario every year from other provinces. Under the Act, convicted sex offenders from anywhere in Canada must register with the local police within 15 days of moving to Ontario. However, there is no mechanism to ensure that they actually do register. Specifically, there are no internal procedures to help identify offenders moving into Ontario, and no process whereby other jurisdictions inform the Ministry of such movements when they are aware of them. The federal NSOR is of limited use in this regard because, under the federal legislation, registration is not mandatory for all convicted offenders. In addition, access to NSOR records is restricted, making it difficult to conduct general searches of its contents. The Ministry essentially relies on the offenders themselves to come forward. There are no estimates available of how many offenders convicted in other jurisdictions are now living unregistered in Ontario.

### Offenders Moving Out of Ontario

Offenders who cease to live in Ontario must inform local police prior to moving away, and they are subsequently no longer required to re-register annually. We noted from our analysis that some 400 offenders had reported moving out of the province since the Registry's inception. However, there was no policy or guideline requiring police to confirm that these moves actually took place. We noted that in only 30 of these 400 cases did police actually verify that the offender had indeed left the province.

## RECOMMENDATION 1

To help ensure that all convicted sex offenders are registered, the Ministry of Community Safety and Correctional Services should:

- work with correctional and police services to ensure that the notice of duty to register is served to all convicted sex offenders at the appropriate times;
- consider revising existing legislative requirements to ensure that all offenders released from institutions and living in the community must register;
- work closely with provincial justice and correctional systems to obtain all offender records on an ongoing basis;
- work with the Correctional Service of Canada to obtain data on all offenders in federal custody in Ontario since the Registry's inception; and
- consider establishing procedures to identify offenders moving into Ontario, and confirming that those who report moving out of the province have actually done so.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 5, and 9. We reproduce it following Recommendation 9.

### Deletion of Offender Records

A sex offender who receives a pardon from the National Parole Board can apply to have his or her record removed from the Registry. Upon receiving satisfactory proof of a pardon, and after management review and approval, the SOR Unit permanently deletes the offender record. However, pardons are revocable if an offender violates any

conditions of the pardon or has conduct or behavioural problems. When a pardon is revoked, the offender must re-register with the Ministry. At the time of our audit, the Ministry was not being notified of pardon revocations and had no compensating procedures to ensure that such offenders were re-registered.

Since all deletions permanently remove records from the Registry, proper audit trails should be maintained to ensure that these deletions are legitimate. At the time of our audit, the Ministry had deleted almost 1,300 records from the Registry since its inception. However, it only began tracking and documenting these deletions in November 2002, recording 532 of them in a logbook. As illustrated in Figure 2, there was no support or tracking for more than 730 other deletions.

During our review, we also found that records were at times mistakenly created for conditional discharge cases and subsequently deleted, and documentation of these deletions was not always properly maintained. Staff, on occasion, also identified duplicate records in the Registry and deleted them without proper documentation. We further noted that the Ministry deleted some 100 fictitious offender records created in the Registry for training purposes rather than using the existing training database.

**Figure 2: Number of Records Deleted from the Registry, April 2001–February 2007**

Source of data: Ministry of Community Safety and Correctional Services

	# of Deletions per Registry Records	# of Deletions per Logbook	# of Unsupported Deletions
April 2001– Nov. 2002	541	0	541
Nov. 2002– Feb. 2007	723	532	191
<b>Total</b>	<b>1,264</b>	<b>532</b>	<b>732</b>

## RECOMMENDATION 2

To ensure that all offender records are deleted only for legitimate reasons, the Ontario Provincial Police should:

- work with the National Parole Board to obtain updates on pardon revocations and ensure that such offenders re-register on a timely basis; and
- track and maintain supporting documentation for all deletion requests.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 2, 7, and 8. We reproduce it following Recommendation 8.

### Offender Annual Re-registration

All registered offenders are required to re-register annually with local police. Although the Ministry sends out annual reminder notices to offenders in the month before their re-registration date, offenders can opt out of receiving the mailing. Our data analysis indicates that more than 6.3% of the 1,700 offenders who exercised this option became non-compliant—approximately 50% more than the 4.4% rate for those who received the reminder.

When a notice is returned as undeliverable, the Ministry flags the offender record, and local police services are supposed to follow up to ensure that the offender can be located. However, there was no ministry policy regarding this follow-up process, and we found that practices varied widely across the province. Our data analysis indicated that police followed up on only about half of these undeliverable reminders.

## RECOMMENDATION 3

To ensure that Registry records are maintained accurately, the Ministry of Community Safety and Correctional Services should:

- consider eliminating the right of non-compliant offenders to opt out of the annual mail reminder; and
- establish procedures for police services to ensure that reminders returned as undeliverable are followed up on a timely basis.

## MINISTRY RESPONSE

The Ministry will examine the impact of removing the ability of offenders to opt out of receiving annual reminder notifications and will formulate recommendations that police services standardize their procedures for managing a letter that is returned to the Ministry. The Registry application alerts police services immediately of any returned correspondence to an offender that may indicate that the offender is not residing at the registered address.

### OFFENDER MONITORING AND COMPLIANCE

When offenders are released from custody, they must register at their local police service within 15 days. Offenders who fail to register or to re-register annually are flagged in the Registry as non-compliant and can be charged with an offence leading to fine or imprisonment. Ministry policy requires police services to take reasonable steps to follow up on offenders who fail to report as required. One option available to police is to obtain and issue a warrant for the offender's arrest. The final sanction available to police is to lay charges.

As the Ministry has not defined what reasonable steps it expects police to follow when dealing with non-compliant offenders, we found that follow-up

procedures, including the practice of issuing warrants, varied widely among police jurisdictions. The Ministry also has no tracking mechanism to record what actions were taken in such cases. Our analysis indicated that of the 384 non-compliant offenders at the time of our audit, almost 70 had been non-compliant for more than two years while some had been non-compliant since the Registry's inception. For the offenders who had been non-compliant for more than two years, we found that two of the five police services we visited issued warrants for only half of them. (Two others issued warrants for all offenders in non-compliance for more than two years, while the fifth had no offenders in non-compliance for more than two years.) We also noted that while most police services had high compliance rates for their registered offenders, and the overall provincial compliance rate was 95%, there was a wide range of compliance rates among local police services, ranging from zero to 100%.

We further noted that the SOR Unit had little, if any, authority to compel local police to deal with Registry issues, including follow-ups on non-compliant offenders. While SOR Unit staff do visit and counsel local police, these activities are primarily for training purposes and to provide assistance on particular aspects of Registry use. The Ministry's Public Safety Division conducts frequent inspections at local police services for compliance with ministry regulations and guidelines, but at the time of our audit, these inspections had not included any review of the procedures for following up on non-compliant sex offenders.

#### RECOMMENDATION 4

To ensure that non-compliant offenders are followed up on in a timely manner, the Ministry of Community Safety and Correctional Services should:

- develop guidelines and procedures for police services regarding follow-ups on offenders

in non-compliance, including policies on the issuing of warrants;

- work with those local police services having a high rate of offender registration non-compliance in their community; and
- consider expanding the inspection scope of the Public Safety Division to include registry-related activities.

#### MINISTRY RESPONSE

In consultation with police stakeholders, the Registry, and the Public Safety Division (PSD), the Ministry will review and evaluate current guidelines and procedures for all police services regarding non-compliant offenders, including steps for initiating investigations and apprehension of non-compliant offenders. The review will include evaluating current guidelines contained in the *Policing Standards Manual* and the PSD inspection process.

### SUPPORTING INVESTIGATIONS

#### Searching the Registry

A primary purpose of the Registry is to assist police when they investigate a possible sexual offence, such as the abduction of a child. Research data indicate that in cases where a child is abducted for sexual purposes and then murdered, rapid response is critical because 44% of victims are killed within an hour of being abducted, and 91% within 24 hours. In order to facilitate a rapid and effective response, investigators need to be able to search quickly through the Registry and identify and track down the most likely suspects in a particular case.

The Registry is relatively new, and the Ministry's efforts to date have been directed primarily at ensuring that all known offenders are registered and their basic data captured. However, one very useful feature is a linkage of offender addresses to

a geographical mapping application that enables investigators to quickly generate and print maps highlighting the addresses of all offenders living within a specified radius of a crime scene. This feature was developed because research indicates that there are unique patterns of distance in child-abduction cases, with 80% of such abductions occurring within a quarter-mile of the victim's last known location, usually by offenders who live or work in the area or had some other legitimate reason to be there.

While there are a number of other tools available to investigators for screening the 7,400 offender records in the Registry, its usefulness could be greatly enhanced by providing additional search tools and improving the functionality of existing ones. For example:

- Some offenders have previously assaulted only females, others only males. Likewise, some offenders have assaulted only children, others only adults. At the time of our audit, there was no method for quickly filtering registry data on the basis of these attributes. Our discussions with local police services and our survey respondents indicated that investigators would find it useful to identify potential suspects based on the gender or age of their past victims without having to scan all records in the database or all records from a particular geographic area.
- Similarly, in a case involving an assault by a stranger, investigators should be able to screen out immediately those offenders who have assaulted only members of their immediate families or other relatives.
- When investigating an assault at a particular location, in addition to generating lists of offenders who live closest to that location, investigators would find it useful to create a list of offenders whose past offences have occurred close to that location.

Databases can typically be searched, or filtered, in the manner suggested above by any attribute set

up in what is known as a data field. To make the above searches possible, the Ministry would have to create and fill four additional searchable fields: the gender of the victim, the age of the victim, whether the victim was related to the offender, and the location of the crime. Some of this information is already in the Registry, but not in a searchable format. In the longer term, it could be useful to add several new fields, including victim characteristics such as hair colour or skin tone. The more detailed and searchable the data, the more effective the Registry will be for investigators.

## Offender Records

When registering, offenders must provide police with personal information, including their name, date of birth, home or any secondary residence address, and telephone number as well as a photograph. If applicable, employment or educational institution addresses must also be provided. Our review of registry records and the results of our survey indicated that incomplete information was being obtained from offenders. For example, there was no photograph for about 140 offenders in the Registry, and only 560 offenders had an employment or an educational institution address included in their record. Since many offenders could be either working or attending an educational institution that is not in the same vicinity as their residence, this information could be useful for quickly locating offenders during an investigation. The Act's regulations list many more types of information that police may include in offender records, including physical features such as scars or tattoos, but we found that this information was not always being collected and recorded. Responses to our survey and our review of registries in other jurisdictions also suggest that other offender information, such as vehicle information and contact information for other family members, could be useful. Figure 3 provides a comparison of Ontario's



**Figure 3: Comparison of Sex Offender Registries among Selected Jurisdictions<sup>1</sup>**

Prepared by the Office of the Auditor General of Ontario

	ON	CAN	CAL	FL	MA	MI	NJ	NY	TX	UK
registration starting year	2001	2004	1944	1993	1996	1994	1994	1995	1991	1997
public access			✓	✓	✓ <sup>2</sup>		✓ <sup>3</sup>	✓ <sup>2</sup>	✓	
first registration (days after release)	15	15	5	2	2	0 <sup>4</sup>	0 <sup>4</sup>	10	7	3
minimum reporting period (years)	10	10	life	life	20	25	15	10	10	5
annual registration	✓	✓	✓					✓		
physical features	optional	✓	✓	✓	✓	✓	✓	✓		
victim information	optional	✓							✓	
vehicle information			✓						✓	
educational/employment address	✓	✓	✓	✓	✓	✓	✓		✓	

1. ON—Ontario; CAN—Canada; CAL—California; FL—Florida; MA—Massachusetts; MI—Michigan; NJ—New Jersey; NY—New York; TX—Texas; UK—United Kingdom

2. moderate- and high-risk offenders only

3. high-risk offenders only

4. immediate

registry with those of other jurisdictions, including the range of information these registries contain.

We noted that some police services entered considerable detail about the offence, the offender, and the victim in what is known as the “case narrative” box. While this information can be useful, it cannot be searched or filtered by investigators in the same manner as a data field. We also noted that there was no case narrative data for almost 1,200 offenders.

Ministry policy also requires police to obtain and verify proof of identity and address during the initial registration of an offender, and again at each re-registration and when updating information in the Registry. Our analysis of registry records indicated, however, that only home addresses were verified, and there was no evidence that verification had been completed for about 650 offenders. We also noted that police sometimes accepted and entered post office boxes as an offender’s residence instead of requiring a street address. Without reliable address information, police are less likely to find offenders quickly during an investigation.

## RECOMMENDATION 5

To help improve the Registry’s usefulness for quickly identifying potential suspects in an investigation, the Ontario Provincial Police should:

- create the ability to search or filter data by victim gender, victim age, relationship (if any) to the offender, and the location of past offences;
- consider expanding the collection of other useful offender information, such as vehicle information and family-contact data;
- ensure that police verify offender information in a timely manner; and
- reinforce the requirement for all offenders to provide a residential street address when registering.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 5, and 9. We reproduce it following Recommendation 9.

## REGISTRY TRAINING AND SUPPORT

The Ministry’s approved budget for centrally operating and maintaining the Registry is approximately \$4 million annually. This excludes related expenditures incurred by local police services. Almost \$1 million of that is used for the development and maintenance of the registry application system itself. A technology services unit that supports several ministries with justice-related responsibilities provides these services. Our review of the other \$3 million indicated that the OPP was not using these funds entirely for registry purposes. We were informed that the OPP has faced several operational pressures and financial constraints over the last decade, and the impact of these pressures and constraints has been felt by several programs. Accordingly, while \$16.1 million of the total \$24.8 million in registry funding provided between April 1, 2000, and March 31, 2006, was used directly on registry operations, the remaining \$8.7 million was used in other areas. Some of these funds were used to offset the cost of positions within the Behavioural Sciences Unit, whose work in part supports the Registry. The remaining funds were used for national security and other public safety priorities. Figure 4 summarizes these expenditures and reallocations.

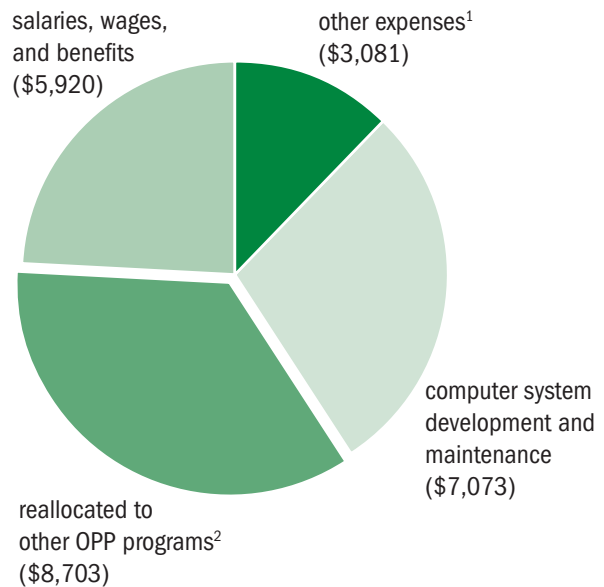
With a significant portion of its approved budget re-allocated to other areas, the SOR Unit has been unable to complete a number of its planned activities. For example, one of the prime purposes of SOR Unit site visits is to provide local training and support. However, it was unable to meet its target of conducting at least one site visit to each of the 140 local police services annually, as illustrated in Figure 5.

Not surprisingly, training has become a concern as site visits have dropped. The police services we interviewed and surveyed both raised this issue, with one in four survey respondents indicating that more registry training was needed. We further noted that less than 25% of the approved training

budget had been used each year. Finally, although a 2004 training and information exchange conference with police service representatives from across the province received positive feedback from attendees, the exercise was never repeated.

**Figure 4: Ministry Sex Offender Registry Expenditures and Reallocations for the Six-year Period Ending March 31, 2006 (\$ thousand)**

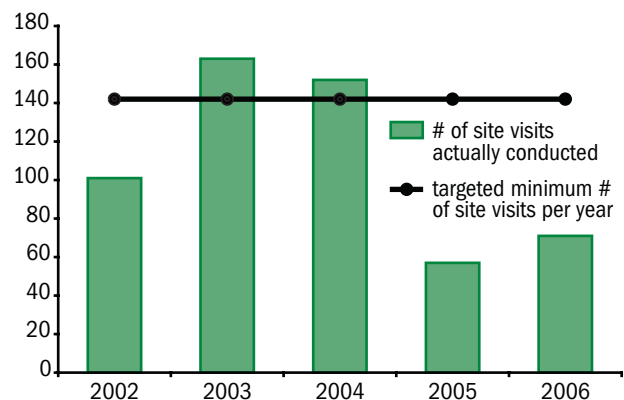
Source of data: Ministry of Community Safety and Correctional Services



1. Including training, site visit expenses, and office supplies.
2. Including the Behavioural Sciences Unit, national security, and other public-safety priorities.

**Figure 5: Targeted Number of SOR Unit Site Visits to Police Services, 2002–2006**

Source of data: Ministry of Community Safety and Correctional Services



The SOR Unit's workload also increased significantly in late 2006 when an electronic link to the National Sex Offender Registry was severed, with staff subsequently having to enter federal offender records into the NSOR manually.

Resource issues have also hindered efforts to enhance the Registry's functionality, even though users have identified many potential improvements. For example, we noted almost 50 outstanding requests for system changes or corrections, some dating back to 2003. One involves a police request to make it possible to search the Registry for offenders' past residential addresses in addition to their current one, as investigators have at times needed this information.

A number of system reports are also available in the Registry to assist police services in monitoring offenders in their jurisdiction. Such reports may include listings of non-compliant offenders, expected offender releases from provincial or federal institutions by date, or the distribution of the offenders in their community. We generated many of these reports as part of our review and found a number of errors made by the registry application that generates them. Users also identified some of these errors and requested they be corrected, but as indicated above, many such requests have been outstanding since 2003.

## RECOMMENDATION 6

To help improve the usefulness and accountability of the Registry, the Ontario Provincial Police should:

- ensure that sufficient training and support are provided to local police services;
- prioritize outstanding system-change requests and devote sufficient resources to address them in a timely manner;
- correct all known system-report errors to ensure that police have access to accurate information when accessing the registry database for investigative purposes; and

- ensure that all funds approved for registry purposes are actually spent on registry activities.

## MINISTRY RESPONSE

The Ministry is in the process of reviewing the registry program. Once the review is completed, the Ministry will assess registry funding needs in context with other public-safety priorities within the ministry funding envelope.

The Ministry agrees that sufficient training and support to police services is important. The Ministry will review training options to ensure that continued support is available to meet its stakeholders' requirements. The Ministry will continue to enhance the training materials that are available for police services to ensure that offender registrations are undertaken in an appropriate manner. The Ministry will work with its information-technology service provider to examine funding requirements for enhanced service delivery.

## AVAILABILITY OF THE REGISTRY

During an investigation of a sexual crime, police response time is critical. Accordingly, registry data should be accessible and available to all police services at any time.

Although the majority of our survey respondents were happy with the system response time and did not have any problems in accessing the Registry when needed, we noted that the Ministry has yet to finalize a disaster recovery plan to ensure that registry data can be fully recovered if a major disaster or hardware failure occurs. In addition, though the Registry is backed up every day, the Ministry had never tested the backup tapes to ensure that all application and data files could be fully restored when needed.

## RECOMMENDATION 7

To ensure that the Registry is always available to the police, the Ministry of Community Safety and Correctional Services should complete the Registry's disaster recovery plan and test its effectiveness as soon as possible.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 2, 7, and 8. We reproduce it following Recommendation 8.

## SECURE ACCESS TO THE REGISTRY

While some other North American sex offender registries can be accessed by the public, access to Ontario's offender records is, under the Act, restricted to law-enforcement officials. Accordingly, the Registry needs strong access controls.

Registry data are physically well protected since all terminals that can access the Registry are either at secure ministry sites or at local police service detachments. Registry data are also protected through a system of user accounts and access rights. Because of their extremely sensitive nature, another layer of protection for these data is the use of Public Key Infrastructure (PKI) technology to ensure that all information transmitted to and from the Registry is encrypted to prevent unauthorized access or data modification. OPP policy recommends an annual review of PKI infrastructures. The last review was in 2005, and the action plan developed to address system vulnerabilities identified in that assessment had yet to be fully implemented.

During our audit, we reviewed the Registry's user accounts and the system access levels assigned to the police services we visited, and noted some areas requiring improvement. About 11% of user accounts we reviewed should have been removed or had their system access revised to a lower category

with fewer access privileges. We also noted that the Ministry did not regularly review access rights assigned to users; nor did it properly maintain all documentation related to access requests. We were thus unable to determine if all existing access rights were appropriate given the users' job responsibilities or whether all access rights had been properly approved.

We also noted one group of application-development and -support personnel that had full access to the Registry, allowing them to create, edit, or even delete offender records without the creation of any audit trail. This inappropriate level of access to the Registry is contrary to industry best practices and raises data-integrity risks.

## RECOMMENDATION 8

To help ensure that confidential information in the Registry is adequately protected from unauthorized access and modification, the Ministry of Community Safety and Correctional Services should:

- ensure that the Ontario Provincial Police's security reviews are performed regularly in accordance with policy and that recommendations arising from these reviews are implemented on a timely basis; and
- regularly review system-access rights to ensure that information in the Registry is available to users strictly on a need-to-know basis and that authorization to make database changes is strictly controlled.

## MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 2, 7, and 8 as follows.

The Ministry supports these recommendations. During the registry audit, an immediate enhancement to the standardized quality-assurance process of capturing legitimate record deletions was made. The Registry immediately

requested lists from the RCMP records section and the National Parole Board of Canada of any offenders who might receive a pardon revocation. The Ministry is currently making enhancements to its technological-disaster recovery plan. The Ministry acknowledges the continued need to secure and protect its information against unauthorized access or data tampering. The Ontario Provincial Police are currently conducting a PKI security review that will ensure that any system vulnerabilities are identified and promptly addressed. Regular PKI security reviews will continue according to OPP policy.

## EFFECTIVENESS OF THE REGISTRY

While the Ontario Registry was the first in Canada, Figure 3 illustrates that sex offender registries are not new. They exist throughout the world, with the first North American registry having been established by the state of California in 1944. Three more states implemented programs in the 1960s and another seven in the 1980s. Most U.S. jurisdictions now have sex offender registration laws, and registries generally receive considerable public support.

Even though sex offender registries have existed for many years and can consume significant public resources, we found surprisingly little evidence that demonstrates their effectiveness in actually reducing sexual crimes or helping investigators solve them, and few attempts to demonstrate such effectiveness. This has not gone unnoticed by critics of sex offender registries, some of whom argue that public funds would be better spent on offender treatment and support programs where there has been some documented proof of effectiveness in reducing recidivism (that is, the committing of another crime by an offender after being released).

For example, the John Howard Society argued in its July 2001 Fact Sheet, *Sex Offender Registries: A Costly Illusion*, that public acceptance of registries

appears to be based largely on a number of myths, including the belief that the rate of sexual offences is on the rise, that such offences are committed by predatory strangers, and that most sex offenders will re-offend. The Society makes the following points:

- Since 1993, the Canadian per capita rate of reported sexual offences has decreased by 35%, and Ontario's rate is lower than the national average. (A Statistics Canada update of the data in 2005 indicates that the national rate has since fallen another 5%.)
- The more serious categories of sexual offences, involving weapons, threats, or serious injury, constitute a relatively small proportion (3%) of all sexual offences, and these have also been declining in the last decade. (Statistics Canada data from 2005 indicate that this rate is now 2%.)
- In 77% of sexual crimes, the victim and the offender know each other. This rate rises to 84% for incidents involving children or youths. More than two-thirds of sexual assaults occur in homes, and many involve family members.
- A review of 61 studies from 1943 to 1995 dealing with sex offender recidivism found the overall re-offend rate was 13% over a five-year follow-up period, and one California follow-up study on offenders from 1973 through 1988 found that 20% of offenders had been rearrested for a sexual offence over the 15 years of the study. Thus, the majority of offenders do not commit a second sexual crime.
- A 1991 Canadian survey of sex offenders in federal penitentiaries found that only one-quarter had been convicted of a sexual offence in the past, suggesting that a high proportion of those who commit sexual offences would not appear in any registry.

More recently, a 2004 research paper issued by Public Safety and Emergency Preparedness Canada



based on a review and analysis of 95 different recidivism studies between 1943 and 2003 found that the sex offenders most likely to re-offend had deviant sexual interests and anti-social orientations, such as a history of rule violation, lifestyle instability, and anti-social personalities. It concluded that, given the identifiable differences in sex offenders' recidivism risk, the application of policies equally to all sex offenders would waste resources on low-risk offenders while failing to direct sufficient attention to high-risk offenders.

We recognize that Ontario's Registry is still relatively new and, accordingly, the Ministry has yet to establish performance measures for it. However, we believe it would be useful to start collecting data on the degree to which the Registry has proven useful in helping the police solve sexual crimes or reduce the risk of such crimes.

### RECOMMENDATION 9

To demonstrate the effectiveness of resources dedicated to the Registry, the Ministry of Community Safety and Correctional Services' Public Safety Division should work to develop appropriate performance measures for the Registry, including evidence that it is proving helpful to police in the resolution of sexual-crime investigations.

### MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 1, 5, and 9 as follows.

The Ministry agrees with the Auditor General's recommendations with respect to application enhancements to ensure that front-line police personnel have an effective law-enforcement investigative tool. The Ministry will expedite its planned phases of implementation by ensuring that the lines of communication with the technology service providers are operating openly and effectively. The Ministry agrees with

the Auditor General's acknowledgement that technological difficulties with the National Sex Offender Registry electronic linkage have had a significant impact on the Registry's workload and contributed to the delayed implementation of its information system's enhancements. The Ministry is working with the RCMP, Correctional Services Canada, and the National Parole Board of Canada to explore areas for facilitating greater co-operation and information sharing for offender record accuracy and monitoring offender movement across provincial and territorial borders. Better utilization of other data sources—such as Correctional Services Canada for federal offenders, the Ministry of Health and Long-Term Care for offenders who are not criminally responsible, and the provincial court system and Ministry of Transportation licensing programs—will be considered, in conjunction with the ministry research efforts already being made to ensure quality control. Christopher's Law, section 4, specifies that police services are to submit the information on a registration record to the Ministry if they are satisfied that the information is correct, and, in accordance with section 5(1), the Ministry shall record the information. The Ministry will examine steps that may lead to improved data integrity. The Ministry will continue to work to enhance the registry application and develop performance measures that will optimize data integrity and measure user volume and program effectiveness.

The Ministry will review the merits and implications of the Auditor General's suggestion to seek legislative amendments. While the recommended changes may be a benefit to the registry program, legal counsel will need to assess the legal viability of any suggested amendments. Ultimately, the decision to approve any legislative changes to Christopher's Law rests with the Legislature.

# Outbreak Preparedness and Management

## Background

The Ministry of Health and Long-Term Care (Ministry), through Order-in-Council, is responsible for formulating emergency plans concerning human health, disease, and epidemics in Ontario. To that end, the Ministry's Public Health Division has a mandate to respond to the immediate threat of infectious-disease outbreaks.

In accordance with the *Health Protection and Promotion Act*, local medical officers of health and local boards of health of public health units are responsible for matters involving public health in their communities. Public health units are funded jointly by the Ministry and municipalities. Yet certain outbreaks of infectious disease require ministry co-ordination and intervention, because of their size, the speed with which they spread, and the limitations on the resources available locally.

After the outbreak of severe acute respiratory syndrome (SARS) in Ontario and other parts of the world in 2003, the College of Family Physicians of Canada, after conducting a survey in 2005, reported that the majority of the public expressed significant concern about all levels of governments' readiness to respond to a future medical emergency.

As well, according to the Ministry and the World Health Organization (WHO), the risk of pandemic influenza is serious, and its impact on society would be much greater than that of SARS. Unlike the seasonal flu, a pandemic influenza is one that can spread easily from person to person and cause serious illness because the population has little immunity to what would be a new virus. On the basis of an internationally recognized model, should another influenza pandemic occur in Ontario, it could result in up to 2 million outpatient hospital visits, 52,000 hospitalizations, and 12,000 deaths. By way of comparison, the 2003 SARS outbreak in Ontario resulted in approximately 300 hospitalizations and 44 deaths, as shown in Figure 1.

**Figure 1: Comparison of SARS and Pandemic Influenza Outbreaks in Ontario**

Source of data: Ministry of Health and Long-Term Care; Health Canada

	SARS	Influenza Pandemic (Estimated Impact)
# of deaths	44	5,000–12,000
# of hospitalizations	312	22,000–52,000
# of outpatient visits	not available	1–2 million
duration	4 months	at least 8 weeks
spread	contained with little spread into the community	widespread

In its ongoing efforts to ensure that Ontario is prepared in the event of a pandemic, the Ministry spent approximately \$83 million during the 2006/07 fiscal year for outbreak-related expenditures, including procurement and stockpiling of antiviral drugs and personal protective equipment, operating expenses for the Ministry's emergency management unit, and other public health expenditures.

## Audit Objective and Scope

The objective of our audit of the outbreak preparedness and management activity in the Ministry of Health and Long-Term Care was to assess whether there were satisfactory systems and procedures to:

- identify and respond to infectious-disease outbreaks of public health significance on a timely basis, in accordance with applicable legislation and international best practices; and
- measure and report on the effectiveness of these activities.

This audit assesses whether the Ministry is prepared to respond to infectious-disease outbreaks of significance to public health, particularly in cases of diseases that are transmitted from person to person in the community, such as SARS, pandemic influenza, and other as-yet unknown infectious diseases capable of widespread transmission among the general public. The scope of our audit excluded epidemics caused deliberately by means, for example, of chemical, biological, and radio-nuclear materials and agents.

The criteria used to meet our audit objectives, which were discussed with, and agreed to, by senior ministry management, pertained to the systems, policies, and procedures that the Ministry should have in place.

Our audit fieldwork included discussions with relevant ministry program staff; a review and analysis of research papers and expert reports on infection control, influenza pandemics, and SARS; a review of management reports and other relevant documentation; and research into comparable practices in other jurisdictions and into WHO guidelines. We also made site visits to the warehouse that stores the province's stockpile of antiviral drugs. We did not rely on any work done by the Ministry's Internal Audit Services Branch because it had not recently done any work in the areas we were examining.

## Summary

Since the SARS outbreak in 2003, the Ministry of Health and Long-Term Care (Ministry) had undertaken a number of initiatives to improve the province's readiness to respond to outbreaks of infectious diseases. Such changes included drawing up detailed response plans, stockpiling antiviral drugs and supplies, and creating infection-control networks. Nevertheless, Ontario, like many other jurisdictions, is still not adequately prepared to respond to an outbreak of an infectious disease, especially a large-scale one such as an influenza pandemic. In particular, we noted the following:

- The health-care-sector response plan developed by the Ministry for an influenza pandemic was generally comprehensive in its guidance to the health-care sector. However, the Ministry does not have assurance that all members of the health system knew what to do in planning for and during a pandemic. Although public health units take the lead role in responding to a pandemic, a ministry survey found that over one-third of the public health units had not completed their local pandemic plans. As well, some health-care

stakeholders were unsure as to who should be responsible for stockpiling critical supplies, which was both a provincial and local responsibility.

- The Ministry estimated that during an influenza pandemic, the demand for beds in intensive care units and ventilator-supported beds would exceed the current capacity by 70% and 17% respectively. The Ministry's pandemic plan included a critical-care triage tool, which they informed us was the first such tool ever developed, to help physicians in acute-care settings make the difficult decisions as to who should receive critical care during an influenza pandemic. Despite the recommendation by its designers, this tool had neither been tested nor submitted for public consultation.
- The availability of sites where a significant number of people could be quarantined or isolated for an extended time was limited. The Ministry had no plans to look for other quarantine or isolation sites for future outbreaks, despite its experience in 2003 during the SARS outbreak, when it was not able to find suitable alternative isolation sites. Our research also found that, during the SARS outbreak, other jurisdictions identified holiday camps and other non-hospital sites as being suitable for quarantine purposes.
- In 2006, the Ministry instructed the local public health units to establish up to 750 temporary community-based influenza assessment centres to ensure that hospitals and other primary-care providers are able to focus on providing a range of health services and treating people who are critically ill with influenza or with other illnesses or injuries. According to a 2007 ministry survey, public health units either did not have operational plans for establishing these centres or were undecided whether to establish them in their communities.
- There were a significant number of staffing vacancies in the Ministry's public health area and in local public health units. Approximately one-third of the public health units were without full-time medical officers of health. In the Ministry, close to 100 Public Health Division and laboratory positions were vacant. Some of these positions were designated as being critical during a human-health emergency.
- The Ministry had recently entered into a three-year contract with a private-sector warehousing firm for short-term storage of its pandemic supplies at four specific locations across Ontario, at a projected cost of \$14 million, until more detailed long-term distribution and warehousing plans could be developed. However, there was no documentation showing the reason for the choice of these locations. There were no warehouses west of Toronto, and the Toronto warehouse, which had almost the same storage capacity as two northern warehouses combined, would have to serve a population about eight times the size of the population served by the northern warehouses. A fourth warehouse is located in eastern Ontario. The potential risk of having all pandemic supplies for southern Ontario stored in one location had not been formally assessed.
- In our 1997 and 2003 audits of Public Health Activity, the Ministry told us it was going to replace its disease-surveillance information system with a new one. However, the new system was not fully implemented until December 2005, by which time the federal government had indicated that it was planning to introduce an even newer system. While the Ministry's epidemiologists have

been using the system data since 2005 to conduct routine surveillance, ministry physicians indicated that they could not use the system to conduct more in-depth disease surveillance because the information contained in it had not been captured in a consistent and timely manner and included duplicated cases. We are concerned that the Ministry will not be able to correct these deficiencies before converting to a newer system and transferring the data from the current system in 2008.

- The Ministry was unable to reach some health-care providers because it had been informed that the contact information held by the College of Physicians and Surgeons of Ontario could be used only in emergencies. Consequently, the Ministry had to purchase this information from an external party, but the information was incomplete.

We also noted that the Ministry had not collected \$17 million from the federal government for its share of the cost of the antiviral stockpile. After we brought this to the Ministry's attention, it began discussions with the federal government to recover the outstanding amount.

We sent this report to the Ministry and invited it to provide responses. We reproduce its overall response below and its responses to individual recommendations following the applicable recommendation.

### OVERALL MINISTRY RESPONSE

The Ministry has taken action to build on lessons learned during SARS and from the recommendations from post-SARS reviews. The Auditor General's advice will support further improvements to ministry and health-sector strategies regarding outbreak preparedness and management.

## Detailed Audit Observations

In the case of SARS, the following reports have been commissioned by the federal government and the province of Ontario:

- *Report of the National Advisory Committee on SARS and Public Health* by Dr. David Naylor (released October 2003);
- *Report of the Expert Panel on SARS and Infectious Disease Control* by Dr. David Walker (released April 2004);
- *First Interim Report of the SARS Commission* by Mr. Justice Archie Campbell (released April 2004);
- *Second Interim Report of the SARS Commission* by Mr. Justice Archie Campbell (released April 2005); and
- *Final Report of the SARS Commission* by Mr. Justice Archie Campbell (released December 2006).

We found these reports very useful, in that they provided recommendations and principles for improving the public health system and enhancing preparedness for and responses to outbreaks of infectious diseases.

### MINISTRY INITIATIVES TAKEN TO DATE

Our review found that, after the SARS crisis, the Ministry had undertaken a number of emergency-preparedness initiatives that were adopted from international best practices or recommended by experts familiar with the Ontario health system, including Dr. Walker and Mr. Justice Campbell.

The following are some examples:

- creation of the Provincial Infectious Disease Advisory Committee (which advises on the prevention, surveillance, and control measures necessary for protecting the people of Ontario from infectious diseases);



- creation of Regional Infection Control Networks (to co-ordinate infection prevention and control activities in health-care facilities across Ontario);
- creation of a critical-care triage tool (to help physicians decide during a pandemic who would receive critical care);
- creation of a new public health and protection agency (to provide laboratory and epidemiological services and to translate research and information into practical assistance, tools, and advice for health-care providers in Ontario);
- stockpiling of drugs and pandemic supplies (in anticipation of a period of high demand worldwide); and
- creation of an emergency management unit (to support emergency management activities and develop an emergency response plan).

While having these initiatives under way is an important step toward ensuring readiness, our review showed that, like many other jurisdictions, the Ministry was not yet adequately prepared for a large-scale outbreak such as an influenza pandemic. The following sections describe some of our observations in areas where improvements are needed.

## PLANNING AND CO-ORDINATION

Outbreak preparedness is a province-wide effort, largely community-based—it involves many individuals and organizations, including the Ministry, other provincial ministries, the federal government, public health units, health-care providers, non-health organizations and services, and essential workers, to name a few. Figure 2 demonstrates how these many parties are involved in this effort. However, the Ministry is ultimately responsible for ensuring that Ontario is prepared should an outbreak occur.

Our audit focused on the Ministry's responsibilities in the preparation for and management of an

infectious-disease outbreak. Those responsibilities include developing policy; setting strategic directions; ensuring compliance with standards and guidelines; and monitoring, reporting, and overseeing performance. Examples of events involving co-ordination and intervention by the Ministry include the outbreak of SARS in 2003; the salmonella outbreak (as a result of contaminated bean sprouts) in 2005; the rubella (German measles) outbreak in Oxford County in 2005; and the salmonella and *E. coli* outbreak (as a result of contaminated spinach and croutons) in 2006.

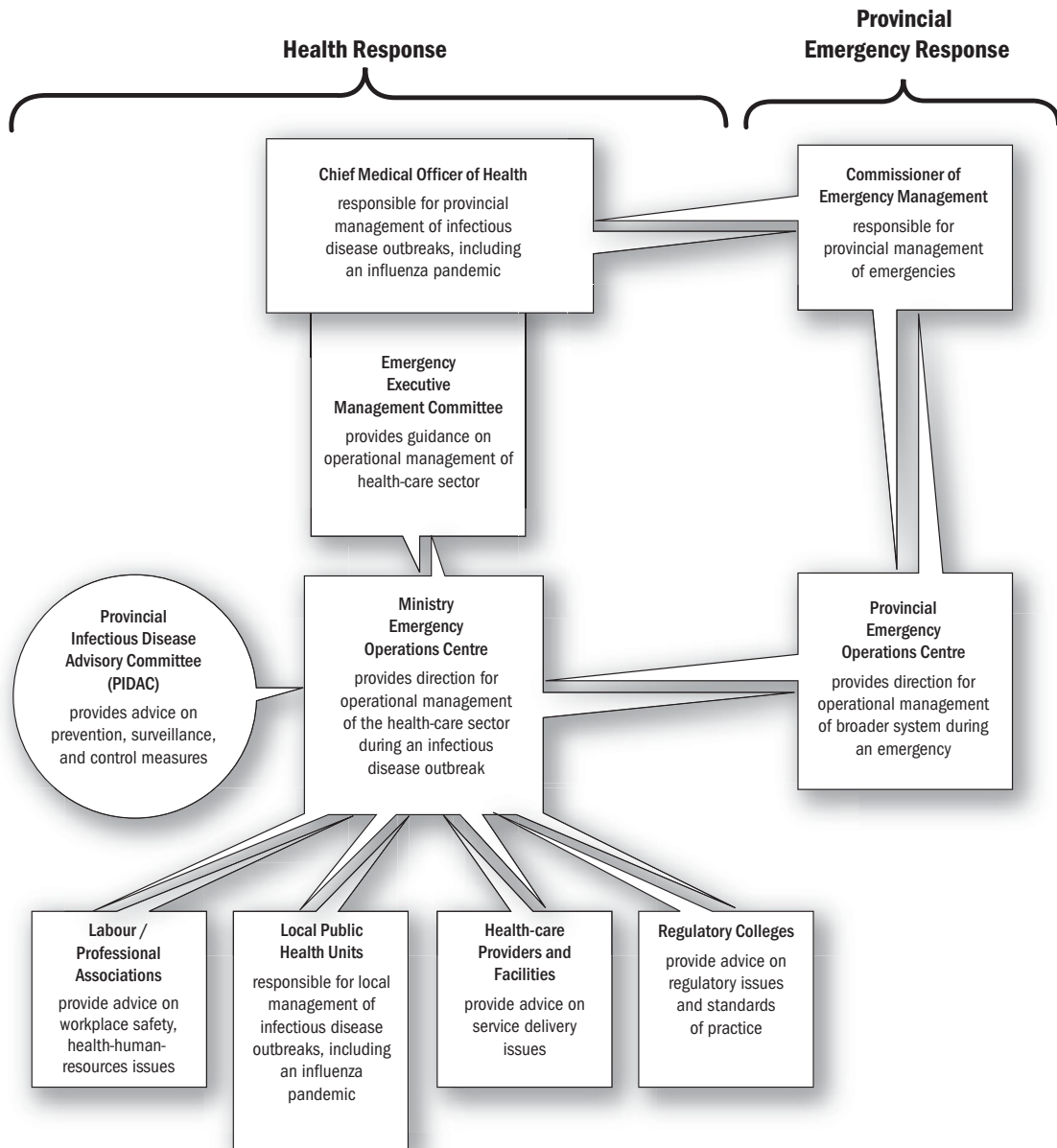
The Public Health Agency of Canada has also pointed out that, to manage an emergency successfully, it is essential to have comprehensive response plans. And in the case of pandemic planning, the responsibilities of every health-care-sector partner must be known and agreed to well in advance.

## Response Plan

In accordance with the *Emergency Management and Civil Protection Act*, the Ministry developed a ministry emergency response plan (MERP) for its response to infectious-disease and other health emergencies. The MERP, last updated in July 2005, outlined what the Ministry will do in the event of any emergency that affects the health-care system and the health of Ontarians. It is intended to complement incident-specific plans such as the Ontario Health Plan for an Influenza Pandemic (OHPIP), which was introduced in 2004 and has since been updated every year, the latest update having been issued publicly in July 2007 (because our audit fieldwork was completed in June 2007, we reviewed and refer in this report to the preceding version issued in September 2006). This plan, which concentrates on the emergency response actions of the health-care sector, outlines operational practices, frameworks, tools, and measures to guide and support health-care-sector pandemic planning and actions.

**Figure 2: Emergency Management: Roles and Relationships**

Source of data: Ministry of Health and Long-Term Care



Our review found that MERP needed updating. Although the OHPIP was generally comprehensive in its guidance for a health-care-sector response, it had not complied fully with provincial legislation and national guidelines, and it needed to be developed further. Specifically, we noted the following:

- The measures for hazard identification and risk assessment contained in MERP had not

been reviewed in light of the current epidemiology of infectious diseases since 2005. The Ministry uses this assessment to prioritize its planning for infectious diseases and to direct resources and planning efforts. The Ministry told us that it had planned to review the risk assessment in 2006, but that because of other priorities, had been unable to do so.

- The OHPIP was not translated into French as required by the *French Language Services Act*. Since the plan was targeted to members of the health-care sector and was available on the Ministry's public website, not having the document in French could pose a health hazard to the community served by francophone health-care workers.
- The amount of detail in the guidelines that the OHPIP provided to various health-care-sector groups varied. For instance, detailed instructions were given to laboratories, public health units, and acute-care services to consider suspending or curtailing their services (with suggestions included) during a large-scale outbreak, such as an influenza pandemic; on the other hand, the directions to other health services providers, such as family physicians, home-care providers, and community mental health centres, were simply to maintain "key" services, which were not defined. Moreover, a chapter on emergency health services relating to ambulance services has yet to be written.
- The OHPIP did not address all areas recommended by the national pandemic plan. The areas not addressed included assessing health-care personnel and facilities capacity, determining liability and insurance for health-care workers and volunteers, assessing the surge capacity of hospitals and non-traditional sites, and maintaining inventories of existing communication systems, including hardware and software.

We also found that the Ministry had not conducted an enactment exercise with its response plan for infectious-disease outbreaks. Rather, it had presented a scenario of an influenza pandemic to a discussion session in February 2006. In contrast, the Ministry had participated in two full-scale enactments with relevant stakeholders for nuclear emergencies in 2005 and 2006. We noted that the WHO recommends that jurisdictions consider carrying out a simulation exercise, preferably one

that focuses on specific aspects of the response plan for an influenza pandemic. We also noted that in Queensland, Australia, a number of live drills were conducted in 2006 to test operational procedures. The Ministry told us that it had no multi-year plan for future enactment exercises for outbreaks of infectious diseases.

### Clarification of Roles and Responsibilities

In March 2007, the Ministry issued a document called *Influenza Pandemic Roles and Responsibilities for Ministry of Health and Long-Term Care Divisions—Operations*, which outlined each division's activities at various emergency levels. However, the Ministry was still developing policies and procedures for surveillance during a pandemic, since the responsibilities of ministry personnel, such as physicians and epidemiologists, would differ significantly from their everyday functions. As a result, the Ministry was unable to provide training for these ministry personnel on the procedures they should follow during a pandemic.

We also found that there was a lack of understanding among public health units and health-care providers as to their roles and that of the Ministry in an emergency. We determined that there was a need to clarify the responsibilities of various parties. For example:

- The minutes of a debriefing meeting held after the 2005 salmonella outbreak indicated a need to define clearly the roles of the responsible parties, especially the Ministry and public health units, during a localized outbreak. Given the inter-jurisdictional involvement of different stakeholders, it is crucial that it be clear who is in charge and who should make key decisions.
- A 2006 report of a discussion session on a hypothetical influenza pandemic noted numerous comments to the effect that everyone was working in isolation from one another and that there was a lack of integration among various

organizations such as local health units and health-care providers.

- The Ministry's 2006 community pandemic planning survey found that public health units and health-care provider groups were unclear about their responsibilities in preparing for and managing outbreaks of infectious diseases. For example, a number of public health units and health-care providers were not sure who should be responsible for stockpiling critical supplies; and independent physicians in general wanted the Ministry to give them more direction on pandemic planning in their sector.
- The Ministry's 2007 community pandemic planning survey showed that about 40% of the public health units had not engaged independent practitioners and laboratories in developing their local pandemic plans, and almost all public health units said that there was little or no planning for pandemic preparedness by independent practitioners, home-care services, and mental health organizations.
- A number of public health units requested, via the 2007 survey, that the Ministry develop a curriculum for health-care workers, and according to the Ministry, this was under development.

In their reports, both Dr. Walker and Mr. Justice Campbell recommended that the Ministry ensure that all organizations have a clear understanding of their own and one another's responsibilities. The Ministry told us that it had relied on more than 300 stakeholders and experts representing different parts of the health-care system, with whom it consulted in the development of its pandemic plan, to promote the plan to their respective organizations. However, the Ministry does not have adequate assurance that these organizations have duly educated their members about their roles during a pandemic.

The federal pandemic plan and the WHO both say that a response plan structured by pandemic phase and by key stakeholders or organizations

would facilitate a quick and adequate response, because each party should know what to do, and in what order. We noted that in the OHPIP the Ministry had summarized the planning activities by pandemic phase. However, it had not summarized the specific actions required of each stakeholder. Although the information was in the document, it was spread throughout 485 pages, and stakeholders would have difficulty finding out exactly what their specific responsibilities were. We noted that in British Columbia's pandemic plan, a useful checklist was used to summarize the responsibilities of each provincial health agency by pandemic phase, so that the key stakeholders know what they are responsible for doing and in what order.

### Local Pandemic Planning

The Ministry decided that the local medical officers of health of public health units will take the lead in co-ordinating the local health response to a pandemic. As the health lead for influenza pandemic planning at the local level, public health units are required to work with all aspects of the health-care system in planning, such as compiling a health human resource registry and establishing influenza assessment centres (see Influenza Assessment, Treatment, and Referral Centres below).

Our review of the preparedness of public health units indicated the following:

- A number of public health units said that because of inadequate funding, they would not be able to prepare for a pandemic in accordance with ministry requirements. Specifically, although significant resources were needed to meet the level of preparedness required, no specific funding was provided.
- The Ministry's 2007 community pandemic planning survey found that over one-third of the public health units had not drawn up their pandemic plans.
- Our review of pandemic plans from the public health units that had completed them

showed that they included various amounts of detail; one plan simply referred the readers to the OHPIP without providing additional information specific to local pandemic planning. To help public health units develop local pandemic plans in a consistent and cost-effective manner, the Ministry could develop a template for them to use.

## RECOMMENDATION 1

To ensure a consistent and co-ordinated response to infectious-disease outbreaks across the province, the Ministry of Health and Long-Term Care should:

- review both the Ontario Health Plan for an Influenza Pandemic (OHPIP) and the Ministry Emergency Response Plan regularly to update these documents as necessary;
- translate the OHPIP into French as required by legislation;
- as recommended by the World Health Organization, periodically conduct simulation exercises to confirm that its response plan on infectious-disease outbreak will work properly;
- clarify the responsibilities of all relevant parties so that all parties understand their responsibilities—for example, by providing a summary or checklist of planning activities by pandemic phase and by organization in the next version of the OHPIP; and
- develop a template to help public health units complete local pandemic plans.

## MINISTRY RESPONSE

The Ministry agrees that emergency plans and supporting documents must be reviewed and updated regularly. Subsequent to the audit, the annual updated Ontario Health Plan for an Influenza Pandemic (OHPIP) was released in July 2007. The executive summary is translated

into French. Supporting public fact sheets are translated into French and 22 other languages. The caption identifying this document as exempt from the *French Language Services Act* has been added to the 2007 OHPIP. By fall 2007, the Ministry Emergency Response Plan will be modified to reflect our new organizational structure and the updated Hazard Identification and Risk Assessment.

The Ministry agrees it is important to test emergency plans to ensure relevance. We have:

- conducted and participated in exercises;
- activated plans in response to community events (for example, Legionella outbreak, salmonella outbreak, hospital evacuation, and flooding);
- developed new plans following post-event debriefs:
  - *Public Health Division Outbreak Response Plan* outlining staff mobilization to support local-level outbreak;
  - guidelines, prepared by the Provincial Infectious Disease Advisory Committee (PIDAC), for *Managing an Outbreak of a Novel Infectious Respiratory Disease* (draft 2).

The Ministry will develop an exercise calendar to ensure that outbreak response, including field exercises, is tested regularly.

The Ministry agrees with the importance of all parties understanding their role in an emergency. The Ministry has:

- defined roles and responsibilities in the OHPIP;
- developed a fact sheet summarizing roles and responsibilities from a front-line health-worker perspective;
- prepared checklists for specific groups within the sector and beyond, including the identification of ministry responsibilities by phase and/or level of activation.



Further opportunities to provide clarity will be pursued as they become available.

The Ministry supports the intent of the recommendation to develop a pandemic-plan template for use by local public health units and will consult with them on how best to accomplish this while acknowledging the significant work already completed locally.

## HEALTH-SYSTEM RESOURCES

The goal of the OHPIP is to minimize serious illness, deaths, and social disruption during a health emergency when existing services may need to be deferred and workloads prioritized. The ability of the health-care system to respond to a threat to public health would be affected by the availability and accessibility of response resources. In the OHPIP, the Ministry provided instructions to health-care providers for planning for an influenza pandemic in light of limited resources and increased demand.

### Acute Care in Hospitals

The Ministry has estimated that during an influenza pandemic, the demand for intensive-care unit (ICU) beds and ventilator-supported beds would be 70% and 17% over current capacity respectively, and the number of existing ICU and ventilator-supported beds would not be enough to meet the demand for up to five weeks and three weeks respectively. During the SARS outbreak, the need for mechanical ventilation by about 80 infectious patients overwhelmed Ontario's critical-care capacity, but in a pandemic, Ontario could see over 1,000 patients needing ventilator-supported beds.

In the OHPIP, the Ministry offered a number of strategies for managing a surge in demand at acute-care hospitals, namely, mutual-aid agreements between hospitals, deferral of elective surgery, the

use of alternative care areas, and as a last resort, mass emergency care, which involves the use of triage to maximize survival within the population. To guide physicians in acute-care settings in the difficult decisions as to who should receive critical care during an influenza pandemic, the Ministry began developing a triage tool in 2006. This tool, which the Ministry told us was the first one in the world, uses a scoring system and has been incorporated into the OHPIP. For the following reasons, however, this tool may not yet be ready to be used:

- The designers of the triage tool had recommended that it needed public consultation because the criteria that the tool uses might be contentious. For example, being above a specified age is an exclusion criterion. However, the Ministry had no plans to present the triage tool for public consultation.
- The tool had not been tested. According to the designers, since it has never been used, testing is essential so that they can determine whether it is practical and, if necessary, can refine it. They said that the resources needed for effective triage management must be planned, established, and tested before a pandemic.
- Whereas the Ministry had the critical-care triage tool for use in a pandemic, there was no formal plan for responding to other outbreaks of disease with smaller surges in patients needing critical care.

## RECOMMENDATION 2

To ensure that access to acute care in an outbreak is fair and equitable to all Ontarians, the Ministry of Health and Long-Term Care should:

- consider the need for public consultation, particularly since its recently developed critical-care triage tool may be the first one developed anywhere in the world;

- work closely with the medical community to test and refine the critical-care triage tool; and
- establish a plan for responding to various levels of surges in patients needing critical care.

## MINISTRY RESPONSE

The Ministry agrees with the recommendation for public consultation on the critical-care triage tool and is exploring how best to achieve a meaningful dialogue on this, while building on previous consultation with the critical-care community.

A ministry-funded pilot study was initiated in February 2007 to test the best method of gauging the tool's efficacy and accuracy. Pilot results are expected by March 2008 and will inform next steps.

The Ministry is implementing a Surge Capacity Management Program to provide tools and sharing of best practices. The program's goal is to meet patient needs regardless of the surge's cause. The Champlain Local Health Integration Network is the demonstration region, which will focus on strengthened communication, improved partnerships, and greater access for patients. The demonstration project will be completed in 2007/08; lessons learned and evaluated will inform the province-wide rollout of the program, anticipated in 2008/09.

## Isolation and Quarantine

The Ministry has determined that quarantine, which involves separating people from others if they have been exposed to the virus but are not ill, would not be an effective means of containing an influenza pandemic—because of the way the disease is spread—but that it would be effective in containing some other infectious diseases, such as

SARS. Isolation is used for people who are actively ill with an infectious disease.

The former Chief Medical Officer of Health (CMOH) of the Ministry commented in her 2005 annual report that a central inventory of critical resources, such as isolation rooms, is needed in conjunction with a mechanism for managing scarce resources so that they are used efficiently and with regard to system-wide needs and not just those of the individual institution. To that end, the Ministry established a critical-care bed and resource registry that contains information on the inventory of negative-pressure rooms (rooms with low air pressure used for isolating patients with airborne infectious diseases) and isolation beds across the province. In addition, the Ministry, in February 2007, set up a critical-care information system in nine hospitals that would give decision-makers a real-time snapshot of what critical-care resources were being used in those hospitals. The Ministry expected that this information system would be extended to all remaining hospitals with critical-care beds by March 2008.

The *Health Promotion and Protection Act* states that if the CMOH certifies to the Minister of Health and Long-Term Care that there is an immediate risk of an outbreak of a communicable disease anywhere in Ontario, and if premises are needed as a temporary isolation facility, the Minister “may require the occupier of any premises to deliver possession of all or ... parts of the premises ... to be used as a temporary isolation facility.” We noted that during the outbreak of SARS in 2003, an empty unit in a health-care facility was chosen as an isolation site for medical staff who had contracted SARS. Although the administrator of the facility believed that it was not fully equipped, the Ministry could not find another site and had to use that facility. Despite its experience during the SARS outbreak, when it was not able to find suitable alternative isolation sites, the Ministry has not formally identified such sites for future outbreaks.

In addition, our research on the use of facilities in other countries for individuals who do not need to be hospitalized revealed that, at about the same time in Hong Kong, a number of holiday camps were used for that purpose. Although New York State was not significantly affected by SARS in 2003, the State did instruct local health departments to consider using alternative, non-hospital sites—such as schools, dormitories, and hotels—for quarantine. However, we noted that the Ministry has not examined the feasibility of such alternatives.

We are concerned that the availability of sites where a significant number of people could be quarantined or isolated for an extended period is limited.

### Transfer of Patients with Infectious Diseases

The WHO recommends that jurisdictions develop mechanisms to co-ordinate patient transport. To that end, the Ministry in 2003 established the Provincial Transfer Authorization Centre to track the movement of patients between health-care facilities. The Centre, whose purpose is to prevent the spread of infectious diseases, instructs facilities receiving patients with infectious diseases to take necessary precautions in preparing to accept these patients.

However, another report by Dr. Walker noted that the Centre was not used during the outbreak of Legionnaires' disease in 2005. The report noted, "More must be done to prepare Ontario for outbreaks where large numbers of people become ill and have to be hospitalized or moved between facilities." As well, we were informed that participation in the Centre's program was strictly voluntary.

### Influenza Assessment, Treatment, and Referral Centres

During an influenza pandemic, people in Ontario who develop influenza symptoms must know where to go for diagnosis and treatment. To ensure that hospitals and other primary-care providers can both provide a range of health services and treat people who are critically ill with influenza or who have other life-threatening illnesses or injuries, the health system will establish temporary community-based influenza assessment, treatment, and referral centres (assessment centres). The 2006 OHPIP specifies that it is a local responsibility to plan for the establishment of assessment centres. The Ministry recommended that up to 750 of these centres be established by public health units across the province.

Our review of the Ministry's 2007 community pandemic planning survey of public health units and other ministry documents showed that:

- Half of the public health units did not have operational plans to establish assessment centres; the remaining public health units were undecided whether to establish such centres in their communities.
- The Ministry had not yet made decisions about legal issues, licensing and scope-of-practice issues, financial compensation for people who work in these assessment centres, and the division of funding roles and responsibilities between the Ministry and municipalities.

### RECOMMENDATION 3

To ease the burden on hospitals during an infectious-disease outbreak, the Ministry of Health and Long-Term Care should:

- ensure that local public health units identify suitable non-hospital quarantine sites for individuals not requiring hospital care and determine if they are properly equipped or

how they are to be equipped, so that they will be available when they are needed;

- give due consideration to making participation in the Provincial Transfer Authorization Centre compulsory to help prevent the spread of infectious diseases between facilities;
- resolve the legal, licensing, scope-of-practice, and funding aspects of community-based influenza assessment, treatment, and referral centres, and monitor their establishment by public health units; and
- make alternative arrangements in advance if it is likely that certain local public health units will not have established the required assessment centres.

## MINISTRY RESPONSE

The Ministry agrees with the importance of providing infection-prevention and -control services in a local-level outbreak. We have enhanced isolation resources through:

- funding 112 additional infection-control practitioners in acute-care hospitals;
  - creating 180 communicable disease positions in local health units;
  - creating 13 Regional Infection Control Networks;
  - developing on an ongoing basis infection-control guidelines in hospital construction and renovations planning and design.
- The Ministry agrees that:
- guidelines for local quarantine facilities will be developed;
  - mandatory participation in the Provincial Transfer Authorization Centre will be evaluated;
  - legal, licensing, scope-of-practice, and funding issues related to a significant outbreak will be addressed. Documented

decisions regarding scope-of-practice and funding are included in the 2007 OHPIP.

As of May 2007, 60% of public health units were working on development of local assessment, treatment, and referral centres. The Ministry continues to monitor their progress.

## Human Resources in Public Health

The staff of local public health units and in the Ministry's Public Health Division are essential for delivering programs and services, responding to emergencies or periods of increased need, and assisting other health-care providers. We noted that there was a significant number of staff vacancies in the Ministry's public health area as well as in public health units that are partly funded by the Ministry.

For example:

- In our *2003 Annual Report*, we noted that eight local public health units did not have a full-time medical officer of health (MOH) as required by the *Health Protection and Promotion Act*. The situation has worsened since then. According to the Ministry, as of December 2006, approximately one-third of the public health units were without a full-time MOH. Half of these units had not had a full-time MOH for over five years, and one unit had not had one for almost 12 years. We noted that the Ontario Medical Association had warned in November 2005 that the lack of MOHs was putting the province's health in serious peril: "There is a danger that the current critical mass of medical officers of health is insufficient to be viable and sustainable. The foundation has been so eroded over time that, if not protected and fortified, it will disintegrate and seriously imperil the province's health."
- There were approximately 40 vacancies in the Ministry's public health laboratories.

For example, the Ministry had not been able to recruit a qualified microbiologist to provide medical and clinical assistance and advice during disease outbreaks. For the last three years, this position had been filled on a rotational basis by a variety of medical microbiologists.

- There were over 50 vacancies in the Ministry's Public Health Division. The staff in those positions are needed to meet ongoing needs in various areas. Some of these positions were described as being critical during human health emergencies. For instance, seven senior medical consultants were designated as critical in the Ministry's continuity-of-operations plan, but at the time of the audit, the Ministry employed only five. Moreover, there had been no physician manager for communicable disease for two years.
- The Ministry's emergency operations centre, which will become the "central command centre" during an outbreak, was once backed up by 50 ministry staff to support public health staff. These individuals volunteered in 2004 and were informally committed to the operation for one year. The Ministry did not keep a current roster of backup support staff who could supplement existing resources. We were informed that in an emergency, the staff for the operations centre will be recruited as needed.

### Human Resources in the Health-care Sector

During an infectious-disease outbreak, health-care workers will be called upon, not only to treat patients affected by the outbreak, but also to maintain other ongoing health-care services. According to the Ministry, in a pandemic, as many as 25% of health-care workers may be absent from work, either because they are sick or because they have care-giving responsibilities at home.

In 2003, after the SARS outbreak, a survey conducted by the Ontario Nurses Association (ONA) found that 20% of respondents either declined or refused to work as a result of the SARS outbreak. And Dr. Walker commented in his report on Legionnaires' disease that early in the outbreak, one hospital reported that a large number of health-care workers refused to come to work.

In his report on SARS, Dr. Walker recommended that the Ministry, together with professional associations and regulatory colleges, establish provincial registries to provide rapid deployment of health-care personnel; such registries should be tested and evaluated within 12 months of being set up. Similarly, the Canadian pandemic plan recommended that the provinces estimate both the number of health-care workers by type and workplace and the number of medical personnel who are inactive (because, for example, they are retired). In December 2005, the Ministry developed a database of over 1,000 health-care professionals, including nurses, physicians, respiratory therapists, and paramedics, who expressed a willingness to volunteer their services during a health emergency. However, we noted that the Ministry had not been maintaining this database since that time.

Part of the Ministry's strategy for a pandemic is to recruit health-care retirees and other volunteers who, before a pandemic, would fill out a Ministry competence questionnaire that would allow local pandemic planners to identify areas of expertise, so that these people could help health-care professionals and other service providers during an outbreak. The Ministry did not monitor to what extent the competence questionnaire had been used, and it explained that such resources are best understood at the local level and therefore should be organized locally. We are concerned that without proper monitoring of local planning, the province may not be able to provide adequate health-care professional staff to respond adequately to an infectious-disease outbreak.



## RECOMMENDATION 4

To enhance the availability of human resources during an infectious-disease outbreak, the Ministry of Health and Long-Term Care should:

- take effective measures to fill the large number of vacancies of medical officers of health in the public health units and of other positions in the Ministry's Public Health Division and public health laboratories;
- in conjunction with professional associations and regulatory colleges, maintain up-to-date registries of volunteer health-care providers who would be available to assist during outbreaks; and
- monitor the success of local public health units in recruiting health-care retirees and other volunteers who could help in an outbreak situation.

## MINISTRY RESPONSE

The Ministry accepts the need to fill ongoing vacancies among Medical Officers of Health, within the Public Health Laboratory system and within the Public Health Division. In addition, plans for health-human-resources needs in an emergency must be in place. The Ministry created HealthForce Ontario in May 2006; developed a health-human-resources (HHR) pandemic plan to assist with anticipated HHR needs; and is making a proposal to regulatory colleges on how their members can volunteer in any emergency, from which it anticipates a formal agreement in winter 2007/08.

The Ministry will modify its next quarterly survey of public health units to capture local human-resource-strategy information.

## MEDICAL INTERVENTIONS

To help prepare for an influenza pandemic, the federal government co-ordinated the purchase of vaccines and antiviral drugs and contributed to the funding. The Ministry supplements those preparations by buying and distributing vaccines, antiviral drugs, certain personal protective equipment, and clinical supplies.

### Vaccines

The primary public health intervention during a pandemic is vaccination. However, vaccine production requires the seed virus and therefore cannot begin until the pandemic virus is already infecting humans. A pandemic vaccine, therefore, may not be available until four to six months after the first case of pandemic influenza is identified. Canada is one of the few countries in the world that has the capacity to manufacture pandemic vaccines. In 2001, the federal government entered into a 10-year contract for an influenza vaccine with a manufacturer in Quebec.

Since a vaccine is in limited supply in the first phases of the pandemic, prioritization within the population is necessary. The federal government will designate priority groups on the basis of the epidemiological data on the virus once it emerges, and each province will follow the federal recommendations for the priority groups. The federal pandemic plan suggested that each province develop more refined estimates of priority groups ahead of the pandemic.

Our audit showed that the Ministry had not sufficiently planned and managed delivery and administration of the vaccines to the public. For example:

- The Ministry had not completed the enumeration and mapping of the priority groups.
- Security arrangements for transporting vaccines from the Quebec manufacturer to the Quebec-Ontario border and after they arrive in Ontario have not been made. The Ministry

had not yet decided if the risk of theft or loss is to be borne by the manufacturer or by the Ministry itself after the stock leaves the manufacturer.

- The Ministry told us that the pandemic vaccines would be stored at the government pharmacy because the pharmacy had proved proficient in the annual vaccine distribution for the seasonal flu vaccine program. However, the Ministry had not analyzed the effect of a pandemic upon the warehousing and distribution capabilities of the government pharmacy.
- Although the administration of the vaccine to the local population will be a municipal responsibility, the Ministry had not addressed the foreseeable risk that there might be a general breakdown of public order at dispensing sites during the mass vaccinations. Furthermore, syringes and needles with which to administer the vaccines had not yet been obtained because the federal government was partnering with the province to procure these supplies. The Ministry told us that the federal government hoped to have a contract for these supplies by 2008.
- According to the WHO, the pandemic influenza vaccine might require two doses, administered months apart, to be fully effective. The Ministry had no system for managing immunization schedules or for planning, delivering, and tracking immunization sessions or adverse reactions. The Ministry told us that it was in the process of requesting funding for such a system.

## Antiviral Drugs

According to the federal government, antivirals, or anti-influenza drugs, are the only specific medical intervention that targets influenza and that may be available during the initial pandemic response.

Neuraminidase inhibitors, a type of antiviral drug, are known to slow down the spread of the disease during the first wave of the pandemic. These drugs reduce the duration and severity of the symptoms and reduce complications and the use of antibiotics.

The WHO recommends that each jurisdiction stockpile enough antiviral drugs to treat its population. Several doses per person are required in a treatment course. In Ontario, the stockpiling of a quantity sufficient to treat 25% of its population, which is a national guideline, was nearly complete as of March 31, 2007. The total value of the antiviral drugs on hand amounted to \$73 million. The Public Health Agency of Canada is responsible for reimbursing Ontario for part of the stock under a cost-sharing arrangement.

According to the manufacturers, the antiviral drugs have a shelf life of five years and are most effective if administered within 48 hours of the beginning of symptoms. The Ontario antivirals stockpile is stored in a single location. An efficient distribution system is therefore necessary, given the large number of persons with symptoms that is expected at the beginning of an outbreak.

With regard to the management of the antiviral stockpile, our audit revealed that:

- The Ministry had not developed guidelines for such elements of delivery and administration of antivirals as security, transportation, and monitoring of drug distribution.
- Five million doses of an antiviral drug in the pandemic stockpile will expire in 2009. The federal government's pandemic plan says that the stability of antiviral drugs may extend beyond the current stated expiry date, but because the Ministry did not monitor the storage temperature in the warehouse (the storage temperature recommended by the manufacturers is between 15°C and 30°C), it may not be able to take advantage of the potential longer shelf life of these drugs.

- The inventory system used for the antiviral stock was almost 20 years old, and it could not provide real-time inventory or itemized inventory information. This will make it difficult to keep track of inventory levels during a pandemic.
- Storing antiviral drugs in a single location could pose a security risk in the event of a natural disaster or civil disturbance, and could make distribution difficult.

We also noted that as of March 31, 2007, the Ministry had not collected \$17 million from the federal government for its share of the cost of the antiviral stockpile. After we brought this to the Ministry's attention, the Ministry began discussions with the federal government to recover the outstanding amount.

### Personal Protective Equipment and Medical Supplies

During an outbreak, health-care workers and patients would need additional protective equipment and medical supplies to protect themselves from the virus. The 2003 Ontario Nurses Association survey, mentioned earlier in this report, found that more than half of the respondents had concerns about the adequacy of protection they had been given.

Medical supplies such as masks, gloves, gowns, and hand sanitizers are mostly made outside Canada, in places where the influenza pandemic may originate and where border closure is a possibility during a global epidemic. The Ministry had therefore, in early 2007, contracted with a number of vendors to provide a four-week supply of such equipment and supplies for health-care workers who are in contact with patients with infectious diseases. As of March 31, 2007, the Ministry had obtained more than 60% of the required quantities and planned to have all items stockpiled by March 2008.

The Ministry told us that it had stockpiled a limited number of N95 respirators, which may be needed instead of surgical masks to provide health-care workers with adequate protection, but that funding for additional quantities had not been approved at the time of our audit.

### Instructions Provided to the Health-care Sector on Local Stockpiling

The Ministry stated in its pandemic plan that health-care providers are responsible for obtaining their own four-week stock of personal protective equipment, so that collectively, the province will have enough supplies for eight weeks, which is the estimated length of the first wave of an influenza pandemic.

The Ministry gave quantity formulas in the OHP/IP so that the broader health-care sector would know what quantities of supplies to buy. We noted two areas in the instructions given to the broader health-care sector for local stockpiling that warrant revision:

- The supply of some personal protective equipment, such as masks for patients and gowns for non-clinical staff, would not last for the estimated eight weeks of a pandemic, because the Ministry had not instructed the local health-care sector to buy these supplies.
- The Ministry did not inform the broader health-care sector that it could buy its stocks at the government-negotiated rate once the provincial stockpile was complete. Health-care providers who were in the process of building their local stockpiles or had already done so may have bought their supplies at a higher price.

### Status of Stockpiling in Local Communities

Despite the Ministry's indication in its pandemic plan that health-care providers were responsible for obtaining their own four-week stockpiles of

personal protective equipment, as of January 2007, a significant number of health-care providers had not completed their personal stockpiles. This was evident in the results of the Ministry’s 2007 community pandemic planning survey. In that survey, each public health unit was asked:

- to respond (“yes” or “no”) as to whether it had its four-week stockpile of critical supplies for its site; and
- to roughly quantify, for each type of health-care provider in its catchment area (for example, long-term-care homes, Community Care Access Centres, hospitals, and independent health practitioners), how many individual facilities/practitioners had completed the four-week stockpile.

Half of the public health units did not have four-week stockpiles for their sites. In addition, many public health units reported that over half of the facilities and practitioners in a particular category of health-care provider did not have four-week stockpiles. Figure 3 shows the percentage of public health units that reported that more than half of the facilities and practitioners of a particular

**Figure 3: Percentage of Public Health Units Reporting Incomplete Stockpiles of Personal Protective Equipment, January 2007**

Source of data: Ministry of Health and Long-Term Care

Type of Health-care Provider	% of Units Reporting >50% of Providers without Required Stockpiles
long-term-care homes	80
Community Care Access Centres	63
hospitals	60
independent practitioners	49
home care	49
mental health	49
laboratories	40
community health centres	37
emergency medical services	34

category of health-care provider did not have the required four-week stockpiles.

We also noted in this regard that, as early as November 2005, an OHPIP steering committee had recommended that the Ministry circulate a communiqué to health-care facilities emphasizing their responsibility under the OHPIP to develop a four-week stockpile of personal protective equipment and direct patient-care supplies. However, the Ministry did not do so.

On its own initiative, in mid-2006, the Ministry distributed some 15,000 emergency infection-control kits containing enough supplies for non-hospital health-care providers (for example, physicians, midwives, and community health centres) for the first seven to 10 days of an outbreak of a droplet-spread illness (an illness spread by contaminated air in close proximity to the source, such as that resulting from sneezing or coughing). However, we noted that about 600 kits were undeliverable because of out-of-date or incomplete addresses or because they had been refused by the recipients. In addition, the OHPIP did not contain guidelines for helping independent practitioners decide how much to stockpile. Accordingly, this group of health-care providers might not have enough personal protective equipment to protect themselves and their patients during a pandemic.

### Storage and Distribution

In February 2007, the Ministry entered into a three-year agreement with a private-sector warehousing firm, at a projected cost of almost \$14 million, for short-term storage of the provincial stock of personal protective equipment at four locations across Ontario, until more detailed long-term distribution and warehousing plans could be developed. Our audit showed the following:

- The Ministry did not have documentation for its analysis of the alternative ways to

meet its storage needs, such as using surplus government properties, as required by Management Board procurement directives.

- The Ministry did not have a documented analysis to justify the storage size specified for each storage location. For example, the combined size of two northern Ontario storage locations was about the same as the storage location for the Greater Toronto Area (GTA). Moreover, there are no storage locations west of the GTA. The population in the GTA and southwest Ontario is approximately eight times as great as that of northern Ontario, which is served by the two northern warehouses. A fourth warehouse is located in eastern Ontario.
- The Ministry had not decided which municipalities would be served by which of the four locations and did not have a rationale for using those four locations.
- The Ministry had yet to make plans for distribution, reordering, transportation, and security for its current stock of pandemic personal protective equipment. For example, it had not formally assessed the risk of having all pandemic supplies for southern Ontario being stored in and distributed from one location.

During our audit, the Ministry engaged an external consultant to advise on meeting future storage and distribution requirements. The Ministry was reviewing the consultant's recommendations at the completion of our audit.

### RECOMMENDATION 5

To ensure that vaccines, antiviral drugs, medical supplies, and personal protective equipment for health-care workers can be made available in sufficient quantities and on a timely basis, the Ministry of Health and Long-Term Care should:

- store, distribute, monitor, and administer antivirals, vaccines, and personal protective

equipment so that they are accessible to people when needed; and

- emphasize to the broader health-care sector the importance of local stockpiling of personal protective equipment.

It should also ensure that it recovers the money owed to it by the federal government for its share of the cost of the national antiviral stockpile.

### MINISTRY RESPONSE

The Ministry supports this recommendation. The Ministry initiated work in spring 2007 to determine how best to deliver pharmaceuticals and other supplies from geographically dispersed sites to the local level for inclusion in the 2008 OHPIP. Also, in its August 2007 release, the newsletter *Pandemic Planner* reinforced the need for local stockpiles.

Negotiations are under way with the federal government to recover funds owed to Ontario.

### SITUATION MONITORING AND ASSESSMENT

The reporting and monitoring of infectious diseases are integral to the detection and analysis of outbreaks. While the Ministry monitors disease situations both in the province and in other provinces and countries, its primary means of surveillance is to monitor and analyze disease and outbreak data in the integrated Public Health Information System (iPHIS). Under the *Health Protection and Promotion Act*, physicians and institutions such as laboratories, long-term-care homes, and hospitals are responsible for reporting certain diseases and outbreaks to local public health units. The public health units enter the data into iPHIS so that the Ministry can analyze and identify unusual and unexpected cases of infectious disease. The analysis is then provided



to the public health units to guide their activities and follow-up.

### Public Health Information System

In both our *1997 Annual Report* and our *2003 Annual Report*, we noted there were deficiencies in the then public health information system. The Ministry replied that it was planning to replace that system with an improved one. However, the new system was not fully implemented until December 2005. This new system, iPHIS, was originally developed by another Canadian jurisdiction and made available by the federal government to all provinces in 2001. The Ministry spent \$25 million on its implementation.

By the time Ontario implemented iPHIS, the technology was 15 years old. The federal government stated that it would no longer provide technical support for the system after 2008 and that a newer system would be made available to all provinces and territories in that year. The Ministry told us that it was proceeding to acquire this newer system, at an estimated cost of \$60 million, pending funding approval.

Our audit found not only that iPHIS implementation was delayed, but also that once it was operating, ministry staff noted significant quality problems with the system due to “unrealistic, externally driven timelines that did not allow adequate time for the required deliverables and complexity of the project,” and that the proposed quality assurance plan had been scaled back. In addition, the ministry staff responsible for conducting disease and outbreak surveillance for the province told us that they could not rely on iPHIS data because it was inconsistent and incomplete. Our review of the system showed that:

- The Ministry recognized that there was a two-to-three-week delay from the time local public health units received the first case reports to the time the cases were entered in iPHIS.

Ministry epidemiologists have been using iPHIS data to conduct routine surveillance since the implementation of iPHIS in 2005; however, ministry physicians responsible for more in-depth surveillance activities informed us that their ability to conduct disease and outbreak surveillance was adversely affected by the delays. We noted that the local health units require standards for timely entry. The Ministry told us that it was developing such standards.

- Although the public health laboratory information system would have more timely information, ministry staff told us that they could not obtain it electronically because the laboratory information system was not linked to the Ministry’s disease surveillance system. Accordingly, they had to rely on public health laboratories or local public health unit officials to alert them by phone if there were cases or outbreaks of diseases in the community. The Ministry told us that it was in the process of acquiring a system that would connect the laboratory information system to iPHIS and that this system would be complete by the end of 2009. It also confirmed that if iPHIS is replaced by a newer system, the technology being developed will be transferable to the newer system.
- The Ministry did not provide detailed specifications to public health units to tell them what information should be entered in iPHIS for provincial surveillance purposes. Inconsistencies in data entry could make the Ministry less able to identify occurrences of diseases and rates of infection and to take suitable action. The Ministry planned to develop and release five disease-specific user guides by 2008. It informed us that it had recently issued two of these guides to public health units for feedback. However, public health units indicated that certain parts of these guides were

inadequate and had to be amended by them to meet their needs.

We also noted that there were incomplete or inaccurate data in the information system. Specifically, the system contained many duplicate records dating back to the conversion from the former system. In the Toronto public health unit alone, there were as many as 40,000 duplicate client records. The Ministry maintained that its responsibility extended only to identifying possible duplicates for the public health units to investigate and resolve. We are concerned that if the Ministry converts to a new surveillance system in 2008, inaccurate data could result in inaccurate epidemiological analysis that could compromise decision-making during a crisis.

Our analysis, including a review of a federal study, also showed that there may be significant under-reporting of diseases by physicians. According to this study, released in September 2006, some physicians are not aware of the requirement to report, or do not know which diseases are reportable, and how or to whom to report; some think that they do not receive enough compensation for reporting; and some believe that no useful action is taken on notifications. The Ministry told us that it would consider conducting an awareness program for physicians to increase reporting once the list of reportable diseases is amended and approved.

### Surveillance Activities during Large-scale Outbreaks

During a large-scale outbreak of an infectious disease, such as an influenza pandemic, surveillance activities, like other health-care services, may be affected. For instance, the reporting of diseases in iPHIS may need to be modified because of limited resources and system limitations, yet without compromising surveillance of other diseases in the province. iPHIS had not been tested in a pandemic scenario. The Ministry informed us that policies

and procedures for surveillance during a pandemic were being developed and that staff would be trained later in 2007.

## RECOMMENDATION 6

To allow efficient and effective disease surveillance at the provincial level so that the extent and seriousness of any outbreaks can be analyzed and the most appropriate action can be taken, the Ministry of Health and Long-Term Care should:

- expedite its setting of standards for the timely reporting of diseases and for the completeness and integrity of disease data that public health units enter in the integrated Public Health Information System; and
- make plans to ensure that any new surveillance system is implemented only after proper quality assurance—such as improving the accuracy and completeness of the disease data in the existing system before conversion—and after sufficient consultation with and training for users.

## MINISTRY RESPONSE

The Ministry supports the recommendations and notes:

- Standards have been developed with extensive consultation for timely reporting and data completeness and integrity, which build upon previous guidance to health units. These standards are supported by ministry user guides and data-cleaning initiatives.
- Timeliness of case entry into the integrated Public Health Information System has significantly improved since system implementation.
- Data quality assurance and user training are integrated into the new Panorama surveillance program.

## PREVENTION AND REDUCTION OF TRANSMISSION

### Provincial Infectious Disease Advisory Committee

The SARS outbreak illustrated the importance of basic infection control in health-care facilities. In response to Dr. Walker's report on SARS, the Ministry formed the Provincial Infectious Disease Advisory Committee (PIDAC) in 2004. PIDAC is a source of expert advice on infectious diseases for Ontario. Membership in the committee includes experts from relevant fields in the health-care sector, including infection control, medical biology, public health, epidemiology, and occupational health and safety. During a disease outbreak, PIDAC representatives may act as advisers to the provincial Chief Medical Officer of Health (CMOH) on communication materials distributed to the health-care system. On an ongoing basis, PIDAC advises the CMOH on prevention, surveillance, and control measures necessary to protect the people of Ontario from infectious diseases.

The Ministry told us that PIDAC, in developing its guidelines and best practices, would review current documents and research on relevant topics. By the first quarter of 2007, in addition to having participated in a number of infection-control initiatives, PIDAC had produced four best-practice manuals in the following areas:

- cleaning, disinfection, and sterilization;
- prevention and control of *Clostridium difficile*;
- prevention of febrile respiratory illness; and
- infection prevention and control of resistant *Staphylococcus aureus* and *Enterococci*.

To fully reap the benefits of this initiative, the full responsibilities of PIDAC should be determined. The Ministry told us that a memorandum of understanding with PIDAC was under development to help clarify its role in a health emergency.

### Infection Control in the Health-care Sector

Also in response to Dr. Walker's report on SARS, the Ministry had funded and established 13 Regional Infection Control Networks (RICNs), and one more was expected to be established by the end of 2007. These networks, whose boundaries correspond to those of the Local Health Integration Networks, include infection-control professionals (ICPs) from all fields of health care who enhance infection-control practices by co-ordinating prevention activities and promoting the standardization of infection control in health-care facilities across their region and the province.

Our examination of infection control in the health-care sector found that:

- The Ministry had no data on the amount of infection-prevention and -control resources, including materials and human resources, that were available to each RICN.
- The standard ICP-to-bed ratio in long-term-care facilities is 1:250, which is a 1980 national standard. The Ministry had not conducted any formal survey of the actual ICP-to-bed ratio in long-term-care facilities.
- For acute-care hospitals, the standard ICP-to-bed ratio is 1:115. The Ministry had met this target after funding 112 additional ICPs between 2004 and 2007. However, we noted that while the aggregate ICP-to-bed ratio for this sector met the requirement, approximately 40% of the hospitals still had too few ICPs, even after additional ICPs were funded.
- There were no standards that indicated the number of ICPs needed to support other health-care services, such as public health, community mental health, and home care.
- Until November 2006, there was no ministry requirement for ICPs employed in RICNs to have been certified in infection control within three years of being hired. The Ministry informed us that, at the time of our audit, 30% of ICPs in the acute-care sector had passed the certification examination.

- The Ministry was in the process of designing and conducting education sessions for health-care providers across the broader health-care sector. To date, three “core-competencies” modules relating to infection control had been developed and offered to acute-care professional staff. Similar modules were at various stages of development for staff in non-acute-care and public health sectors.

According to standards established by the Ministry in 1997, public health units were to produce their own infectious-disease policy and procedure manuals. The Ministry acknowledged that because of this arrangement, there was no consistency in contact precautions, preventive use of drugs, and outbreak management of infectious diseases. To that end, the Ministry proposed in the 2007 Public Health Standards to develop infectious-disease protocols that could include instructions on the data elements required, surveillance, and the public health management of infectious diseases of public health importance. Standardization at the provincial level would not just harmonize the application of these procedures and be more efficient than having each public health unit make improvements on its own, but would also encourage implementation and help the province assess compliance. The standardization protocols were expected to be complete by the end of 2007.

### Public Health Measures

Public health measures such as closing of schools, closing of day care centres, and cancellation of large social gatherings may be taken during outbreaks if the epidemiology of the disease suggests that such measures will be effective. The Ministry told us that it began working with public health units in April 2007 to determine criteria for implementing those public health measures. The Ministry planned to include these criteria in the next release of the OHPIP by the end of 2007.

## RECOMMENDATION 7

To help minimize the public’s exposure during a disease outbreak, the Ministry of Health and Long-Term Care should:

- collect and analyze data on the sufficiency of infection-control resources in all health-care settings;
- establish standards for the infection-control resources required in all health-care settings and follow up to ensure that these standards are being complied with; and
- finalize the protocols for surveillance and management of infectious diseases at the public health units.

## MINISTRY RESPONSE

The Ministry supports the recommendations to buttress health-sector infection prevention and control. The Ministry:

- solicited technical advice from PIDAC on infection-control resources in non-acute settings;
- is developing 49 core competencies for infection prevention and control to be in place, with local training, by spring 2008;
- is developing audits to ensure ongoing compliance; and
- has drafted overarching *Ontario Public Health Standards* and expects to complete supporting protocols, including Infectious Disease Prevention and Control, in winter 2007.

## COMMUNICATION

Keeping the public and health-care providers informed is paramount in an outbreak of an infectious disease. The Ministry told us that it had either planned or taken a number of measures to facilitate the efficient sharing of information during an emergency. For instance:

- A public-notification project undertaken by the government, similar to the Amber Alert system for missing children, was under way.
- The government had negotiated with major broadcast networks to run ministry-produced television advertisements on 24 hours' notice.
- The capacity of the Ministry's public inquiry line can be increased to 10 times its normal capacity within 24 hours.
- A 24-hour information cycle that outlined when and with whom the Ministry would communicate had been established.
- The Ministry had decided that the Chief Medical Officer of Health was most likely to be the Ministry's spokesperson during an infectious-disease outbreak.

The Ministry acknowledged that it must still test its public communication strategy with the other members of the health system and the media, and formalize an information-sharing agreement between Ontario and other levels of government.

### On-call Services

The Ministry provides a number of on-call services, operated from various parts of the Ministry, to public health units and health-care organizations 24 hours a day, seven days a week. The Ministry acknowledged that there were fragmentation, potential for duplication, and inefficiencies in communication since these various on-call services had been developed piecemeal over a number of years and in response to the needs of the moment. In an attempt to move toward a more streamlined and uniform on-call system, the Ministry had engaged a consultant to review the existing on-call services and suggest options for improvement. In January 2007, the external consultant reported a number of problems in the current arrangement, including:

- the use of many different phone numbers, whereas other provinces, such as British Columbia, Alberta, and Manitoba, each had a single call number;

- lack of monitoring of response time;
- lack of clarity among members of the health system regarding the role of the call centre; and
- a shortage of physicians with whom to share on-call responsibility.

In addition to the consultant's observations, our review showed that, for one of the on-call services, the physician on-call service—where physicians employed by the Ministry give public health advice to callers after hours, often in emergencies—the number of ministry staff available fell from eight in 2006 to four in the first quarter of 2007. Also, ministry staff had to rely on materials they had gathered from external sources and information manuals from other jurisdictions because the Ministry had not written any procedure manuals for them to refer to.

In February 2007, the Ministry established a steering committee to provide supervision and advice in the redesign and implementation of a new public health call system. We will review the status of this matter in our follow-up review in two years' time.

### Important Health Notices

The Ministry uses Important Health Notices (IHNs) to communicate with the health-care community about emerging events and issues of public health importance. The Ministry's goal is to be able, in the event of a health emergency, to transmit 34,000 IHNs in two hours, through a web-based application, by electronic mail, and by fax. Between December 2003 and March 2007, the Ministry issued 26 IHNs to alert health-care stakeholders. The subject of the IHNs depends on the situation, and they are assembled by subject experts when the need arises.

We noted that the Ministry was unable to obtain physician contact information from the College of Physicians and Surgeons of Ontario, since this information would only be provided in "urgent and



compelling” health emergencies. Instead, it was required to purchase physician contact information from a private-sector vendor. The purchased list contained 800 fewer physicians than the number active in December 2005. Furthermore, over 5,000 physician records in the purchased list did not have a fax or email address, and therefore those doctors could not receive an IHN.

The Ministry told us that improvements to the notice distribution system were under way and were expected to be complete by 2008. Among other improvements, the Ministry will be able to monitor how many people have read the message, and the channels of communication will be expanded to include text messaging, voice mail messages, and pager alerting.

### RECOMMENDATION 8

To help ensure timely and coherent information-sharing at various stages of a disease outbreak, the Ministry of Health and Long-Term Care should test its public communication strategy with all members of the health-care system and the media.

### MINISTRY RESPONSE

The Ministry supports the recommendation concerning a communications exercise involving the health sector and beyond. Ministry communication protocols were exercised internally in February 2007. Plans exist to similarly engage the health sector by the end of 2007.

## PERFORMANCE REPORTING

Dr. Walker recommended that the province should issue an annual performance report for public health in Ontario. This report would discuss human resources, information technology, infections acquired in health facilities, compliance with mandatory programs and services, the health of the

population, and the “central epidemiological capacity of the public health system.”

In accordance with the *Health Promotion and Protection Act*, the province’s Chief Medical Officer of Health (CMOH) issues and tables in the Legislature an independent annual report on the state of public health. The last report tabled was for 2005. As the CMOH’s annual report is of a different nature than the one recommended by Dr. Walker, the Ministry told us that a separate report was needed for performance reporting. However, the Ministry had not collected data on the areas that Dr. Walker suggested in his report and had not established a target date for developing these indicators. We noted that some other jurisdictions set benchmarks and measure their outbreak preparedness and management activities in areas of professional development, communications materials, and research studies.

### RECOMMENDATION 9

To help enhance its ability to report publicly on outbreak preparedness and management in a transparent and timely manner, the Ministry of Health and Long-Term Care should:

- collect data and establish reasonable benchmarks for relevant performance measures of outbreak preparedness and management activities; and
- report regularly to the public on these performance indicators.

### MINISTRY RESPONSE

The Ministry supports the recommendation concerning performance indicators. Updating *Ontario Public Health Standards*, developing supporting protocols (both discussed in previous responses), and establishing a performance-management framework are the first steps in achieving regular public reporting on outbreak preparedness and response.

# Chapter 3

## Section 3.13

Ministry of Revenue

# Retail Sales Tax Program

## Background

The *Retail Sales Tax Act* (Act) imposes a general sales tax of 8% on the retail price of most goods and services sold to final consumers in Ontario. The Act also levies sales tax at variable rates between 5% (for example, on room rentals lasting less than one month) and 12% (for example, on alcoholic beverages).

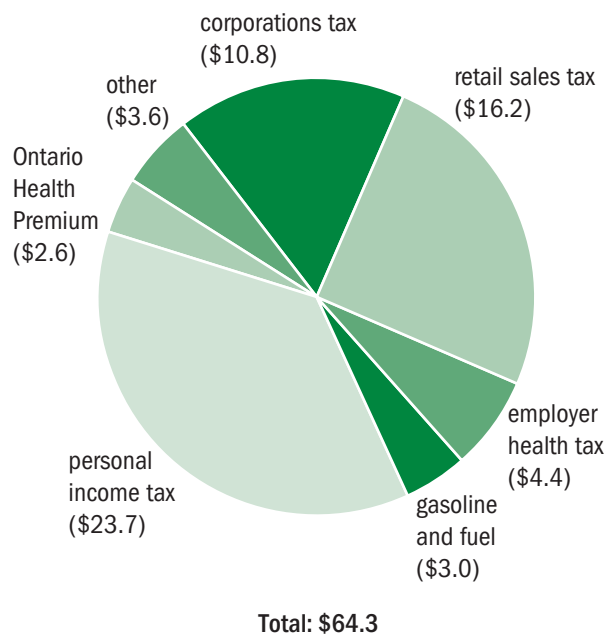
The Act also provides for a number of tax exemptions meant to reduce tax regression or to promote economic or social objectives. Examples of such tax exemptions include sales of children’s clothing, equipment designed for use by people with disabilities, and goods purchased by Status Indians under certain conditions.

As at March 31, 2007, approximately 420,000 vendors were registered to collect and remit retail sales tax (RST) to the province. RST receipts for the 2006/07 fiscal year totalled approximately \$16.2 billion, net of \$153 million in refunds, which represents 25% of the province’s total tax revenue. Figure 1 compares RST revenue amounts to the amounts from the province’s other sources of tax revenue in the 2006/07 fiscal year.

RST revenues have increased steadily over the last 10 years, as shown in Figure 2.

**Figure 1: Total Provincial Tax Revenues, 2006/07 (\$ billion)**

Source of data: Ministry of Revenue



Staff in the former Retail Sales Tax Branch had primary responsibility for administering the RST program up to the end of the 2004/05 fiscal year. During the 2005/06 fiscal year, the Ministry of Revenue (Ministry) started a process of restructuring whereby all Ontario tax statutes are to be administered through the following seven functional branches:

- Client Accounts and Services;
- Tax Compliance and Regional Operations;

- Tax Appeals;
- Tax Advisory Services;
- Strategic Management Services;
- Special Investigations; and
- Revenue Collections.

## Audit Objective and Scope

The objective of our audit was to assess whether the Ministry has adequate systems and procedures in place to ensure that RST owing on taxable sales of goods and services was being collected and remitted to the province in accordance with statutory requirements.

The scope of our audit work included a review and analysis of relevant ministry files and administrative procedures, as well as interviews with appropriate staff at the various functional branches that now administer the RST program. We also met with senior staff at the Office of Economic Policy to obtain an understanding of the magnitude of the underground economy and its effect on the collection of RST.

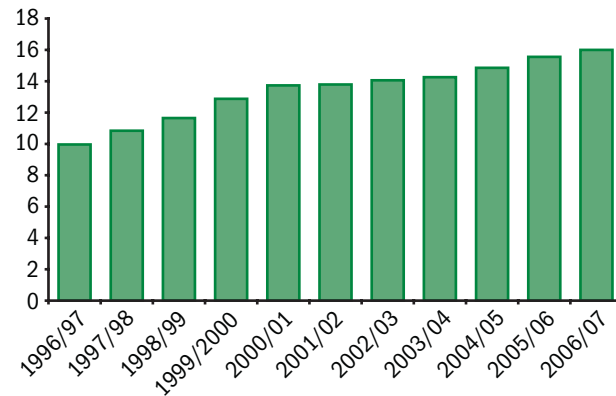
Prior to the commencement of our fieldwork, we identified the criteria we would use to address our audit objective. These criteria were reviewed and agreed to by senior ministry management.

Our work emphasized the procedures in place with respect to RST revenues processed in the 2006/07 fiscal year. Our audit was conducted in accordance with the standards for assurance engagements encompassing value for money and compliance established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In order to focus the scope of our audit, we reviewed a report issued by the Ministry of Finance's Internal Audit Services in 2003 that assessed the current status of the recommendations

**Figure 2: RST Revenues, 1996/97–2006/07**  
(\$ billion)

Source of data: Ministry of Revenue



made in our *2000 Annual Report*. We also reviewed Internal Audit Service's most recent reports and supporting working papers with respect to accounts receivable written off and the processing of monthly RST returns, and found that they could be relied on. Accordingly, we excluded these areas from our audit.

We note that the Ministry is currently in the process of replacing its management information system for the administration of all tax statutes and is developing a new information system for use in enforcing tax compliance and collection. Since both systems are expected to be implemented in early 2008, our audit did not include an in-depth review of the management information system currently in place for administering the RST program.

## Summary

A number of our observations and findings in this report are similar to those outlined in our last audit of RST in 2000. Although the Ministry (at that time, the Ministry of Finance) generally agreed with our recommendations and committed to taking the necessary corrective action, it also indicated that improvements in its management information

systems were necessary to address some of our recommendations. However, the required improvements, which were under development at the time of our audit, have not yet been implemented. The enhanced information that such technology improvements can provide, along with certain improvements in the audit and collection processes, are all necessary before the Ministry can have adequate assurance that RST is being collected in accordance with statutory requirements. More specifically, we noted the following:

- While the Ministry has implemented certain measures to identify non-registered vendors at their places of business or at points of sale, procedures are not yet adequate to ensure that all Ontario vendors—particularly new vendors—selling taxable goods and services are registered with the Ministry for inclusion in the tax roll. The Ministry advised us that it had met with the Ministry of Government Services in summer 2007 and was in the process of negotiating a Memorandum of Understanding to obtain business registration data every six months.
- Although the Ministry has an agreement with the Canada Border Services Agency to collect provincial sales tax for goods entering Ontario from outside the country, no similar mechanisms exist with other provinces with respect to interprovincial trade.
- Since our last audit of the RST program in 2000, the Ministry has undertaken a number of initiatives designed to reduce the tax gap, and planned improvements to its information technology system will allow it to better monitor its progress in this area.
- The audit selection process suffered from a number of deficiencies, including the following:
  - The auditable tax roll used for selecting vendors for audit excludes many vendors registered in Ontario, such as those registered for less than two years and those that designate themselves as part-time.
- No standardized province-wide criteria have been developed for selecting vendors for audit on the basis of the risk of non-compliance, despite the Ministry's previous commitments to do so.
- While improvements in audit coverage had been made since our last audit in 2000, the Ministry's coverage of each of its three categories of vendors based on level of sales and amount of tax remitted was still below its targets. As well, the selection of vendors for audit has neglected many profile codes that categorize vendors by industry segments and other characteristics.
- The Ministry was unable to locate 7% of the audit working-paper files that we selected for our review; in 2004, the Ministry's own quality-control review was unable to locate 25% of the files it asked for. These paper files are prepared for review and approval by audit managers before an assessment of taxes owed can be issued. In addition, although the sample of assessments we reviewed had adequate support, the overall documentation in the working papers was often insufficient to demonstrate that all required audit work was adequately planned, completed, and reviewed.
- To encourage future voluntary compliance, ministry policy stipulates that penalties are to be levied on vendors who remit an incorrect amount of RST due to neglect, carelessness, wilful default, or fraud, unless the reasons for not doing so are clearly documented. However, for approximately 20% of cases we reviewed where a penalty could have been applied, the reasons for not applying the penalty were not documented.

- The average number of annual sick days taken by the sample of about 80 auditors we reviewed was approximately 13, as compared to the Ontario Public Service average of about 10 days.

With respect to the collection of outstanding receivables, we found the following:

- Outstanding accounts receivable increased to \$967 million as at December 31, 2006, from \$587 million at the time of our last audit in 1999/2000, an increase of approximately 65%. In contrast, in the same period, RST revenues increased to approximately \$16.2 billion from \$12.6 billion, an increase of 29%. The Ministry did not have sufficient procedures in place to assess the level of outstanding receivables and the reasons for significant changes, or identify the corrective action needed.
- The Ministry's current information system does not have the ability to identify accounts receivable for priority collection. Our review of a sample of open collection files found that it often took a number of months for a collector to initiate contact on a file, and approximately one-quarter of files had no collection activity for periods exceeding two years.
- At the time of our audit, approximately 35,000 vendors with active accounts were in default in filing their returns. Of those we reviewed, over eight months elapsed, on average, between the referral of the account to the Ministry's Non-Filer Unit and the compliance officer's attempt to contact the vendor. After the initial contact, many files had an extended period of inactivity.
- For the 2005/06 fiscal year, 130 cases were referred to the Special Investigations Branch, which investigates tax evasion, fraud, and other serious tax offences. Half of these cases were not investigated, and we were informed that this was due to staffing limitations.

The Ministry has been aware of many of the above-noted issues for some time—it has informed us that it believes that its new information systems should allow it to deal with these issues and in doing so will enable it to act fully on many of the recommendations in this report.

We sent this report to the Ministry of Revenue and invited it to provide responses. We reproduce its overall response below and its responses to individual recommendations following the applicable recommendation.

## OVERALL MINISTRY RESPONSE

The Ministry of Revenue appreciates the audit observations and recommendations made by the Auditor General regarding the administration of the Retail Sales Tax (RST) program. These observations and recommendations have served in many cases to validate the direction of the Ministry and also point out potential areas to be addressed as the Ministry strives to achieve its goal of becoming a world leader in tax administration.

The Ministry especially appreciates the timing of this audit since, from the date of the last audit in 2000 the Ministry has reassigned the majority of responsibility for the RST program into the respective functional branches. In addition, the Ministry is currently undertaking a number of initiatives to better provide service to vendors/taxpayers and administer taxes more effectively and efficiently.

The primary focus of these initiatives is replacing the majority of legacy systems for the tax programs. The first program to be migrated is RST, expected in December 2007. This integrated tax system will provide a single point of access to facilitate client interaction with the Ministry, enable the authorized sharing of information, and enhance efficiency and effectiveness. The Ministry is also in the



process of acquiring a business intelligence tool to perform automated risk-based selection for audit and automated credit risk management for collections. The intent of these initiatives is to more effectively and efficiently identify non-compliant entities, target audit activities on those taxpayers assessed as higher risk of being non-compliant based on specified risk criteria, reduce the number of nil audits, enhance recovery on audits, improve the rate of collections, and ease the burden on compliant taxpayers.

The Ministry agrees to address the recommendations made by the Auditor General and to incorporate them into the business strategies of the appropriate functional areas.

## Detailed Audit Observations

### OVERVIEW OF PROGRAM

The Ministry's objective in administering the collection of RST is to encourage broad-based, voluntary compliance and, where necessary, to enforce compliance in order to maintain equity and public confidence in the fairness of the tax system. Although, as noted previously, the RST program is now administered through the Ministry's various functional branches, the staff dedicated to the RST desk and field audit function have increased substantially since our last audit and now number approximately 680.

All vendors selling taxable goods and services must be registered with the Ministry and have available their RST permit at their place of business. The vast majority of the tax is collected by approximately one-third of the registered vendors who are required to file a monthly RST return and remit the return and sales tax collected before the 23rd day following month end.

Sales tax returns and remittances may be dropped off at any ministry or Service Ontario office or mailed directly to the Ministry's Revenue Operations and Client Services Branch in Oshawa. They may also be submitted electronically through the Internet or by payment at a financial institution. Approximately one half of the returns received are submitted electronically and one half are submitted in paper form.

### Tax Roll Maintenance

Having a complete and accurate tax roll of all vendors selling taxable goods and services is the essential first step in effectively administering the RST program and ensuring that the correct amount of RST is remitted to the province.

Our *2000 Annual Report* identified two areas of concern with respect to the Ministry's ability to ensure the completeness and accuracy of the tax roll.

- The Ministry did not have adequate procedures in place to ensure that potential new vendors selling taxable goods or services (other than those who registered through Ontario Business Connects) were added to the tax roll when they were incorporated or otherwise registered to operate in Ontario. Instead, the Ministry relied on new businesses to register voluntarily if they intended to sell taxable goods or services in Ontario.

At the time of our 2002 follow-up, the Ministry indicated that it had made contact with the then Ministry of Consumer and Business Services to explore opportunities to match the business names registry with the RST database. The Ministry hoped to obtain the necessary data and match it before the end of the 2002/03 fiscal year.

However, as of March 2007, the linkage of the Ministry of Government Services business names registry with the RST database had not been achieved. The Ministry advised us that it would

incorporate a function into its new management information system that would make it easier to match data in the different databases. It now expects the system to be operating by early 2008.

- The Ministry needed to strengthen its procedures for regularly identifying non-registered vendors at their places of business or at points of sale.

As a result of our 2000 report, the Ministry implemented a number of initiatives to identify non-registered vendors at their places of business or at points of sale through flea-market blitzes, Internet and Yellow Pages searches, and the like. The Ministry informed us that in the 2006/07 fiscal year it had identified approximately 500 non-registered vendors through these initiatives.

We also note that the amount of commerce conducted through the Internet has been increasing substantially, and much of that commerce is conducted across national and provincial borders. Where taxable goods are purchased from outside Ontario by mail-order or through the Internet, the Ministry has an agreement with the Canada Border Services Agency to collect provincial sales tax for taxable goods entering Ontario from outside the country. However, no similar mechanisms exist with other provinces with respect to interprovincial trade. In these cases, the onus is on the purchaser to declare and remit the appropriate tax for taxable goods purchased from vendors in other provinces and shipped to and consumed in Ontario. We understand that the Ministry has asked the taxation authorities in other provinces to provide it with invoice details that they obtain during their audits for goods purchased in their jurisdictions and shipped to Ontario. However, this is not done routinely, and in any case it is not a practical means to ensure that all tax has been collected from interprovincial trade.

## RECOMMENDATION 1

To help ensure that the tax roll for vendors that sell taxable goods and services is complete and accurate and that the appropriate amount of tax is remitted, the Ministry of Revenue should:

- ensure that it can match the government's business names registry with its new management information system—which would allow it to follow up with businesses that are on the names registry but not the RST vendor database; and
- at future meetings relating to inter-provincial taxation, raise the possibility of reciprocal tax collection agreements with other provinces whereby all provincial sales taxes are collected at the point of sale and remitted to the province where the taxable goods are ultimately shipped and consumed.

## MINISTRY RESPONSE

It is also important to recognize that many businesses that register with the Ministry of Government Services do not meet the criteria to register for an RST vendor permit. Nevertheless, from time to time, the Ministry has sampled registrants on the Ministry of Government Services' business-names registry to determine if there are businesses that should be registered for RST. These database matches have had limited success.

The Ministry is committed to working closely with the Ministry of Government Services to align business modernization initiatives. While it is not anticipated that the business-names registry will be electronically linked with the Ministry's new management information system, the Ministry will continue to explore feasible opportunities to identify businesses registering with the Ministry of Government Services that require registration under the *Retail Sales Tax Act*.

Furthermore, the Ministry will work with the Ministry of Finance to assess the constitutional and operational viability of, as well any privacy issues relating to, inter-provincial reciprocal tax collection agreements and may use the annual inter-provincial tax conference to explore the possibility of using reciprocal tax collection agreements with other provinces.

## TAX GAP

The “tax gap” refers to the amount of RST that is due to the province but is never remitted. The tax gap results primarily from both registered and unregistered vendors that either do not charge tax on taxable sales or that collect tax but do not remit it to the province. Although the nature of the tax gap is difficult to identify and its amount is difficult to quantify, it is generally thought to be significant and attributable to the underground economy.

In our *2000 Annual Report*, we recommended that the Ministry conduct the research necessary to identify significant aspects of the underground economy and focus its compliance and enforcement efforts accordingly. We are pleased to note that the Ministry has undertaken a number of initiatives with respect to the tax gap, including:

- having a senior staff member chair a federal-provincial inter-jurisdictional committee that deals with various issues with respect to the underground economy;
- developing the Responsible Citizenship and Canada’s Tax System program, which is a learning package used by teachers to educate students in the importance of being good citizens from an early age;
- co-ordinating information exchange with the Ministry of Transportation on private vehicle sales; and
- obtaining information from inspectors at the Ministry of Labour that helps to focus audit selections.

In addition, in response to our recommendations in both 1995 and 2000, the Ministry also committed to developing and monitoring various performance indicators to assess its progress in identifying and reducing the tax gap. The Ministry expects that the new information technology system that is scheduled to be implemented in early 2008 will greatly improve its ability to deliver on its previous commitments in this area.

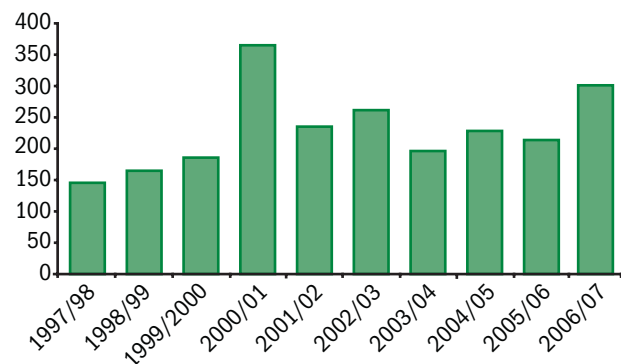
## ENFORCEMENT: RST AUDITS

The Ministry has approximately 500 field auditors who in most cases conduct audits independently at the vendor’s place of business. The objective of the audits is to determine whether selected vendors have remitted the correct amount of tax owed and to encourage voluntary compliance in the broader vendor community. For administrative purposes, auditors are organized into teams of eight to 10 who report to an audit manager. In turn, audit managers are responsible for overseeing all aspects of work conducted by their auditors as well as for various administrative functions such as approving monthly time sheets.

The total value of assessments of taxes owed resulting from all audits has varied over the last 10 years, as shown in Figure 3. Over this same time

**Figure 3: RST Assessments, 1997/98–2006/07**  
(\$ million)

Source of data: Ministry of Revenue



period, RST assessments have ranged from 1.3% to 2.6% of total RST collected.

## Auditable Tax Roll

Although any vendor can be selected for audit by an audit manager, audit managers advised us that their practice is to not routinely select vendors for audit that are not included in the auditable tax roll within their geographical area. The auditable tax roll as currently defined excludes approximately 130,000 vendors that have been registered with the Ministry for less than two years and approximately 50,000 vendors who have designated themselves to be part-time. In that regard we note that many vendors designated as part-time had sales exceeding \$1 million a year and in one case as high as \$42 million.

In our view, excluding these vendors from the regular audit selection process is questionable because:

- being in business for less than two years is not an indication of lower risk to the Ministry—in fact, the opposite may be true; and
- there is no clear definition of part-time vendors, and vendors designate themselves as part-time without any verification by the Ministry.

## RECOMMENDATION 2

In order to ensure that potentially high-risk vendors are not systematically excluded from audit selection, we encourage the Ministry of Revenue to revise its audit selection process to include both newly registered and part-time vendors.

## MINISTRY RESPONSE

We agree with the Auditor General's recommendation. The new information technology system, which is expected to be implemented in late 2007, will incorporate all vendors into the

auditable tax roll, including those registered with the Ministry for less than two years and those designated as part-time.

## Audit Selection

Selecting the right vendors for audit is critical for ensuring that the Ministry meets its goals of ensuring that the correct amount of tax is remitted to the province and of encouraging voluntary compliance in the broader vendor community. In that regard, we note that as far back as 1995, the Ministry indicated that it would develop standardized risk-based criteria for selecting vendors for audit.

However, there is still no province-wide system in place for selecting vendors for audits based on assessed risks or other factors. Instead, individual audit managers select vendors on the basis of their own judgment from a list of vendors assigned to them. Our review of the audit selection process for a sample of managers found the following:

- The criteria used to select audits varied among managers and therefore were not consistent across the province.
- There is no process to analyze or otherwise oversee managers' audit selections to ensure that they meet the Ministry's objectives. In that regard, we found that results varied significantly by manager. For example, for the 2005/06 fiscal year:
  - while overall approximately one in three audits did not result in any adjustments to taxes payable, nil assessments varied from a low of 14% for one audit manager's team to a high of 60% for another audit manager's team; and
  - while the overall average assessment for all small vendor audits was approximately \$283 per audit hour, individual managers' team assessments ranged from a low of \$110 to a high of \$734 per audit hour.

The Ministry engaged a consultant to review its risk assessment and audit selection methodology. The review included a comparison of this methodology with industry-standard best practices. The consultant's report, which was issued in December 2004, made a number of recommendations, including the need to:

- centralize the audit selection function and centrally manage audit pools; and
- automate the risk-assessment process using evidence-based criteria that are continuously updated and consistently applied.

The consultant noted a number of jurisdictions and agencies, including the Canada Revenue Agency, British Columbia, Michigan, and Florida, that had developed centralized, automated risk assessment systems. The benefits of implementing such systems included:

- the use of dedicated audit selection staff to allow more time for managers to address other audit issues;
- tiered audit pools based on risk of taxpayer non-compliance, with high-risk audits receiving priority status;
- increased audit recoveries, at least in one case with fewer audit hours; and
- significant overall decreases in nil assessment rates.

We understand that the Ministry has established a Risk Assessment and Workload Development Unit, which is currently assisting in the development of an automated, centralized evidence-based risk-assessment system for selecting vendors for audit. This system is expected to be operating in early 2008.

We also found that during the 2006/07 fiscal year, the Ministry processed approximately 27,000 refund claims totalling approximately \$186 million, of which 954 claims totalling \$57.5 million were refunded "subject to audit." The Ministry's Audit Handbook requires that a number of refunds identified as subject to audit be audited every year,

although the number to be audited is not specified. In practice, refunds have not been incorporated in the managers' audit selection process, but may be reviewed if a vendor is otherwise selected for audit. A one-time ministry review of refunds issued subject to audit in 2006 found that approximately 10% of refunded amounts were disallowed.

### RECOMMENDATION 3

To help ensure that it meets its goals of ensuring that the correct amount of tax is remitted to the province and of encouraging voluntary compliance in the broader vendor community, the Ministry of Revenue should:

- complete the development of an automated, centralized evidence-based risk-assessment system for selecting vendors for audit and implement it as soon as possible; and
- specify the approximate number or percentage of higher-risk refunds issued subject to audit that are to be audited each year and ensure that the audits are carried out.

### MINISTRY RESPONSE

The Ministry is in the process of working with the successful proponent to develop a business intelligence tool to support automated risk-based audit selection. We expect this tool to be functional in 2008.

The Ministry will establish documentary criteria to ensure there is a strategy in place for auditing each year a representative sample of refunds issued that are subject to audit.

### Audit Coverage

Maintaining adequate and representative audit coverage is also essential to the Ministry's objectives of collecting the correct amount of tax owed and encouraging voluntary compliance with the RST.



The Ministry has established audit coverage goals for each category of vendor (small, medium, and large). Since the time of our last audit in 2000, the Ministry's audit coverage in each of the three categories has increased substantially, and the Ministry has been successful in increasing its recoveries per audit hour, as shown in Figure 4.

However, the Ministry's audit coverage in each of its categories was still below its goals, with the result that significant potential audit recoveries were likely forgone. For example, in May 2005, the Ministry estimated that it was forgoing approximately \$25 million annually in revenue recoveries from not meeting its audit coverage goal for large vendors alone.

As a result, the Ministry hired an additional 120 auditors during 2005 and 2006, and we have been informed that it expects to meet its audit coverage goals for all three categories of vendors in the 2008/09 fiscal year.

All vendors are assigned to one of approximately 300 profile codes that categorize vendors by industry segments and other characteristics. Among other things, the Ministry uses these groupings to help ensure that vendors selected for audit come from a broad spectrum of the tax roll. We note that the number of profile codes in use has doubled since the time of our last audit in 2000.

Our review of audit coverage by industry profile code found that:

- for the 2005/06 fiscal year, no audits were conducted on any vendors from almost one-half of the profile codes;
- for the last four fiscal years, no audits were conducted on any vendors from approximately 15% of the profile codes; and
- the distinction between some of the 300 profile codes could not be explained to us.

## RECOMMENDATION 4

To ensure that all vendors are given due consideration for audit selection and to encourage voluntary compliance through an adequate and representative level of audit coverage, the Ministry of Revenue should:

- continuously monitor its audit coverage for all three vendor categories and endeavour to meet its audit coverage goals for each as soon as possible;
- select audits from all segments of the vendor population; and
- facilitate the audit selection and results assessment process by reducing and more clearly defining the number of different vendor profile codes it uses.

## MINISTRY RESPONSE

The Ministry's strategy is to ensure its largest vendors are audited on a three-and-a-half-year cycle. Staffing was secured in 2005 to achieve this commitment. It is expected that this cycle will be achieved by the third quarter of the 2008/09 fiscal year.

As the Ministry moves to selection based on risk, a review will be undertaken to determine appropriate coverage/staffing levels to balance potential audit recoveries identified from the risk-based selection system with geographical and taxroll coverage priorities.

The Ministry is in the process of moving its categorization of its taxroll from profile codes to North American Industry Classification System codes, which will provide for greater delineation and be consistent with the Canada Revenue Agency (CRA). This will facilitate more focused selection and exchange of information with the CRA.

**Figure 4: Audit Hours Spent and Assessments Issued by Vendor Category, 2006/07 vs. 1999/2000**

Source of data: Ministry of Revenue

Vendor Category	Auditable Tax Roll as of March 31, 2007	Total Audit Hours 2006/07	Total Audit Assessments 2006/07 (\$ million)	Assessment per Hour 2006/07 (\$)	Assessment per Hour 1999/2000 (\$)
large	207	166,313	175.7	1,056	865
medium	11,864				
small	212,051	297,841	123.4	414	290
<b>Total</b>	<b>224,122</b>	<b>464,154</b>	<b>299.1</b>	<b>644*</b>	<b>437*</b>

\*overall average

### Audit Working Papers

Although many working papers are prepared and stored electronically, paper files, including copies of supporting documents, must be prepared for review and approval by an audit manager before an assessment of taxes owed can be issued.

This requirement notwithstanding, the Ministry was unable to locate 7% of the working paper files in cases for which assessments were issued that we selected for our review. Similarly, we noted that when the Ministry's own Internal Quality Assurance Unit conducted a quality control review in 2004 (the most recent review for which information was available at the time of our audit), 25% of the files it asked for could not be located.

The risks associated with misplacing audit working paper files include the possibility that:

- confidential information regarding a vendor may fall into the wrong hands; and
- taxpayer objections and appeals may succeed in large part due to the lack of supporting documentation that the Ministry can provide.

For the sample of files that we reviewed, we found that the assessments that were issued were adequately supported with sufficient and appropriate documentation. However, we did identify areas in need of improvement:

- In many cases, there was a lack of evidence of managerial input during the planning phase of an audit or of managerial approval of the

work to be undertaken, as required by the Ministry's Audit Handbook.

- Although in most cases auditors use standardized audit programs, documentation was often insufficient to demonstrate that all the necessary work had been performed.
- In most cases, completed audit files lacked evidence of managerial review of the underlying work performed, such as review notes or initials on working papers.

### RECOMMENDATION 5

To help ensure that the confidentiality of taxpayer information is maintained and provide evidence that audits have been adequately planned and conducted, the Ministry of Revenue should ensure that:

- all audit working paper files are securely stored and available for review; and
- audit working paper files contain the documentation necessary to demonstrate that all required work has been adequately planned and completed, and reviewed and approved by an audit manager.

### MINISTRY RESPONSE

With the current technology being used in the RST audit program, all audit working papers are available electronically and can be used to

support the basis of all assessments. When the Ministry migrates to its new platform, it is anticipated that the electronic file can be enhanced with the ability to scan source documents. The Ministry is confident that the risk of confidential taxpayer information being compromised as a result of misplaced files is minimal. Nevertheless, the Ministry has constituted an inter-branch committee to review the policies and procedures for the transfer of hard-copy files between offices.

The Ministry also agrees to remind managers of the need to ensure that there is adequate documentation to demonstrate that all necessary work is completed, reviewed, and approved.

## Penalties

To deter vendors from remitting an incorrect amount of retail sales tax and encourage future voluntary compliance where instances of non-compliance are detected, the *Retail Sales Tax Act* provides for the imposition of a 25% penalty when an audit determines that the correct amount of sales tax was not remitted due to neglect, carelessness, wilful default, or fraud on the part of the taxpayer. In addition, the Ministry's Audit Handbook states that a penalty should be applied in all such instances to ensure that all non-compliance is treated equally, unless the rationale for not applying the penalty is clearly documented and approved by the audit manager.

Although audit assessments have increased substantially since the time of our last audit in 2000, the amount of penalties applied has actually decreased over the same period from approximately \$6 million in the 1998/99 fiscal year to \$5.3 million in the 2006/07 fiscal year. Our review of a sample of audit working paper files where an assessment

was issued and a penalty could have been applied but was not applied found that, in approximately 20% of the cases, the reasons for not applying the penalty were not documented as required and therefore not clear. Some of the potential penalties forgone were significant. For example, a penalty of \$3.7 million was not applied on an assessment valued at \$14.8 million, with no documented explanation. We also noted that while some audit managers never applied the penalty, other audit managers imposed the penalty for up to 10% of their audits where an assessment was issued, which raises issues of equity and fairness.

## RECOMMENDATION 6

In order to deter taxpayers from remitting an incorrect amount of tax, the Ministry of Revenue should comply with its policy that penalties be imposed in all cases where an assessment was issued due to the taxpayer's neglect, carelessness, wilful default, or fraud, unless the reasons for not doing so are clearly documented and approved by the audit manager.

In addition, in cases involving the potential imposition of a significant penalty (that is, exceeding a predetermined threshold amount), the Ministry should assess the merits of having more senior staff review the case and decide whether or not to impose the penalty.

## MINISTRY RESPONSE

The Ministry agrees that the penalty is to be applied as a deterrent to vendors who under-remit RST and that in some cases there was insufficient documentation to substantiate why the penalty had not been applied.

The Ministry agrees to review its policy to determine the merits of having larger penalties reviewed by more senior staff.

## Monitoring of Audit Staff

### Hours of Work

Auditors' terms of employment, including hours of work, are governed by the Ontario Public Service Employees Union collective agreement as well as by ministry policies and procedures, which, among other things, contain the following provisions:

- The standard workday is 7¼ hours, although auditors are permitted flexible work hours without prior manager approval. Where overtime is worked, they can bank up to 36¼ hours (or more with manager pre-approval) and take this time off at a later date or be in a deficit of (that is, owe the Ministry) up to 14½ hours at any point in time.
- Auditors' work time commences upon leaving their home or office and includes time for returning to their home or office at the end of the day.
- A medical certificate must be supplied for all sick leave absences that exceed five consecutive working days. Where employees are absent more than 10 days in a year, they are subject to the Ministry's Attendance Support Program, which starts with a formal interview designed to identify the issues leading to absenteeism, attendance improvement goals, and the need for support.
- Auditors return to their office on the first working day following the end of the month to submit their timesheets and perform other administrative functions.

Our review of the detailed time records of 10 audit teams, comprising approximately 80 auditors, for the 2006/07 fiscal year noted the following:

- Sick days for all auditors in a team averaged from six to 24 days a year, with an overall average of about 13 for all auditors. This compares to the Ontario Public Service average of about 10 sick days per year.

Our review of a sample of personnel files for individuals who had between 12 and 25 sick days during calendar year 2006 found only one instance where there was any evidence that a formal interview, to discuss the issues leading to absenteeism, attendance improvement goals, and the need for support, as required under the Attendance Support Program, was actually held.

- Approximately one in four auditors reviewed exceeded the maximum borrowed time allowed at some point during the year. The average excess deficit for these employees was 10 hours, and in one case it was as high as 40 hours in excess of the maximum 14½ hours allowed.

In addition, we reviewed exception reports prepared by the Ministry detailing auditors whose charged travel time exceeded 20% of the time charged to audit activities. We noted that for the three months ended June 30, 2006, there were 79 auditors whose travel time exceeded 20% of their audit time. We were informed that audit managers reviewed and discussed the ministry policy with respect to travel time with these auditors, with the result that the number of auditors whose travel time exceeded 20% was reduced to 47 for the three months ended March 31, 2007.

### Audit Assessments per Audit Hour

Another measure of performance in the audit function is the amount of assessments issued per audit hour. We noted that, for all auditors, the average recovery per audit hour by auditor classification varied significantly within classifications, as detailed in Figure 5. We saw no evidence that there had been any formal follow-up of such significant variances to determine what if any corrective action was necessary.

**Figure 5: Variation in Assessments per Audit Hour**

Source of data: Ministry of Revenue

Auditor Classification	Average Assessment for All Direct Audit Hours (\$)	Average Assessment for the Lowest 10% (\$)	Average Assessment for the Highest 10% (\$)
senior	570	84	1,930
junior	271	39	857
trainees	131	16	375

## RECOMMENDATION 7

In order to maximize productive audit hours and resultant audit assessments, the Ministry should:

- investigate the reasons for relatively high absenteeism rates among auditors and take the necessary corrective action;
- ensure that auditors comply with the Ministry's flextime policy and limit time-banking deficits to no more than 14½ hours at any point in time;
- continue to monitor auditors' time charged to travel, with a view to further reducing time charged to travel; and
- identify best practices and other strategies used by those auditors who consistently have high audit recovery rates.

## MINISTRY RESPONSE

While respecting individual employees' right to privacy regarding their medical circumstances, we agree that all staff exceeding the ministry threshold must enter the Attendance Support Program. We will ensure all managers are reminded of their obligations pursuant to the policy.

The Ministry commits to undertake a review of its flextime policy to better reflect current workplace trends.

The Ministry commits to continue to review the travel time of its audit staff and will look for opportunities, through new technologies and alternative work arrangements, to reduce travel time.

The Ministry commits to identify and share best practices in audit methodologies with staff to maximize revenue recovery opportunities.

## COLLECTION FUNCTION

### Outstanding Accounts Receivable

Accounts receivable result primarily from RST assessments issued following an audit and from vendors submitting RST returns without full payment. Outstanding accounts receivable increased substantially to \$967 million as at December 31, 2006, from \$587 million at the time of our last audit in the 1999/2000 fiscal year, an increase of approximately 65% (before an allowance for doubtful accounts receivable of \$459 million for December 31, 2006, and \$201 million for 1999/2000). This increase compares very unfavourably with the increase in underlying annual RST revenues for the same period to approximately \$16.2 billion from \$12.6 billion, an increase of 29%. Details with respect to the length of time in which accounts receivable have been outstanding and the amounts involved are provided in Figures 6 and 7.

Despite the increase in accounts receivable outstanding, the Ministry did not have sufficient procedures in place to assess the reasons for the increase and identify corrective action to be taken. We therefore examined the collections process more closely to identify reasons and possible corrective action.

### Collection Effort

Outstanding accounts receivable are assigned to work stacks of individual collectors who are



**Figure 6: Outstanding (O/S) RST Amounts by Length of Time Overdue**

Source of data: Ministry of Revenue

Length of Time O/S	Amount O/S as at Dec. 31, 2006 (\$ million)	% of Total	% at Time of Our Last Audit*
1-90 days	73.5	8	15
91-360 days	141.7	15	20
1-2 years	113.2	12	17
2-3 years	110.1	11	20
3+ years	528.7	54	28
<b>Total</b>	<b>967.2</b>	<b>100</b>	<b>100</b>

\* October 31, 1999.

responsible for all aspects of the collection function. Outstanding balances from vendors in certain profile codes that are considered to be at high risk of non-collectibility and outstanding balances over \$15,000 are assigned to senior collectors.

The Ministry's current information system does not have the ability to identify accounts for priority collection based on, for example, vendor-specific risk of non-collectibility or potential for collection. Instead, individual collectors have considerable discretion in prioritizing the work effort and the steps to be undertaken, and in practice, collectors generally work accounts in descending order of outstanding amounts. Typically, collectors send letters and make follow-up phone calls which, if unsuccessful, can lead to referral to a field collector or to legal action such as liens, garnishments, or asset seizures.

Our review of a sample of open collection files found the following:

- Although it is generally accepted in the debt-collection industry that immediate contact with the debtor is essential, it often took a number of months from the time a file was assigned to a collector to the time the first attempt to contact the vendor was made.
- Collection activity was often not adequately documented. For example, information with respect to telephone calls, such as who was

**Figure 7: Outstanding (O/S) RST Accounts by Amount**

Source of data: Ministry of Revenue

Amount of O/S Balance	# of Accounts	Total Value as at Dec. 31, 2006 (\$ million)
\$100,000+	1,842	513.9
\$25,001-\$100,000	5,780	281.9
\$5,001-\$25,000	11,057	131.1
\$1,000-\$5,000	14,324	35.1
<\$1,000	12,269	5.2
<b>Total</b>	<b>45,272</b>	<b>967.2</b>

contacted, what was discussed, and what was agreed to, was in many cases not evident.

- On many files, no collection efforts were undertaken for extended periods. For example, approximately one-quarter of the files had no collection activity for periods exceeding two years.

We also found that in many cases there was no documentation to demonstrate that suggested best practices, such as a personal phone call prior to sending a collection letter, were followed or other requirements such as tax roll updates or confirmation of information on file were met.

We understand that the Ministry is currently in the process of developing a new management information system for the collection function. As part of this process, it hired the services of a consultant to assess the collection function and identify best practices from other jurisdictions and agencies, including the Canada Revenue Agency, the province of British Columbia, and a number of U.S. states. The consultant concluded that:

- early action on accounts was imperative;
- risk scoring of accounts was essential to ensure that more aggressive and targeted action was taken on the accounts with the greatest risk of non-collectibility; and
- those accounts—which are clearly uncollectible—should be written off on a timely basis so that efforts can be spent on accounts having the most promise of collection.

## RECOMMENDATION 8

To address the increase in outstanding accounts receivable, the Ministry of Revenue should be more proactive in taking prompt and rigorous collection action and ensure that all collection activity is adequately documented.

## MINISTRY RESPONSE

The Ministry acknowledges there are opportunities to improve the timeliness of collection activities. The Ministry notes that, over the approximately five-year period since the Auditor's last audit, there was a net increase of 23% in the active accounts receivable after doubtful accounts were removed. Several initiatives that will improve the Revenue Collections Branch's ability to take rigorous collection action quickly are currently under way. The objective of the Collections Risk Management Project is to prioritize collector workloads based on multiple risk parameters and develop tools to predict taxpayer behaviour. This risk-scoring methodology, scheduled for implementation in 2008, will enable the Revenue Collections Branch to move the right account to the right collector for the appropriate collection action, facilitating prompt, consistent, and progressive collection action.

### Overdue Returns and Non-filers

All registered vendors must file a sales tax return no later than the 23rd day following the end of their reporting period whether or not they had any sales or collected any tax during that period. When a vendor is in default of filing the required return for more than 30 days, the Ministry issues a system-generated reminder notice requesting that the vendor file the required return; it issues a second notice, if necessary, from 30 to 60 days after the first notice. If the vendor continues in default,

the account is referred to the Non-Filers Unit where a compliance officer will attempt to make telephone contact and may, depending on the estimated tax outstanding, issue an estimated assessment based on the vendor's previous returns and remittances or on remittances from other similar vendors.

As of March 31, 2007, approximately 35,000 vendors, or approximately 8% of all vendors on the tax roll, were in default in filing their required returns. Our review of a sample of vendors with active accounts that had not filed their required returns found the following:

- On average, over eight months elapsed between the time the account was referred to the Non-Filer Unit and a compliance officer attempted to contact the vendor with the longest period being 21 months;
- After the initial contact, many of the files had an extended period of inactivity, ranging from nine to 14 months.

Timely follow-up of vendors in default of filing a return is critical, in our view, because as the time between default and follow-up increases, the chance of receiving the defaulting return and corresponding remittances diminishes.

## RECOMMENDATION 9

To give it the best chance of receiving outstanding RST returns and the required remittances, the Ministry of Revenue should ensure that:

- initial contact with defaulting vendors is made on a more timely basis; and
- after initial contact, follow-up with defaulting vendors is made on a continuous and timely basis until the matter is resolved.

## MINISTRY RESPONSE

The Ministry agrees that the timeliness of default resolution could be improved. We are currently working on a comprehensive default-resolution strategy and expect that many of the proposed changes will be implemented as

part of phase-three implementation of the new information technology system in late 2008. We expect that initial contacts and follow-ups will improve as a result.

## SPECIAL INVESTIGATIONS

The Special Investigations Branch investigates all cases of suspected tax evasion, fraudulent grants and tax credit claims, and other serious tax offences that are, in most cases, referred to it by the Tax Compliance and Regional Operations Branch. The Special Investigations Branch is also responsible for the prosecution of cases where sufficient evidence is available to support such action.

For the 2005/06 fiscal year, 130 RST cases were referred to the Special Investigations Branch. Our review of these referrals found that:

- half of the referrals were not investigated—primarily, we were informed, because of staffing limitations rather than the merits of the case; and
- of the 65 cases for which an investigation was completed in the 2005/06 fiscal year, 28 resulted in prosecutions, with fines totalling approximately \$860,000.

We also note that where referrals are investigated, the results of the investigation, the reasons for prosecuting or not prosecuting, and the results of the prosecution are communicated to the referring manager. However, this information is not analyzed and communicated to other auditors and audit managers for their consideration in the work they perform.

### RECOMMENDATION 10

In order to ensure that all cases that warrant investigation are in fact investigated, and that the results of the investigations and any prosecutions are considered during future audits, the Ministry of Revenue should:

- obtain the level of staff required to ensure that all referrals that warrant investigation are in fact investigated; and
- analyze and, where warranted, communicate the results of investigations and prosecutions to all auditors and audit managers for consideration in their work.

## MINISTRY RESPONSE

The Ministry supports this recommendation and has taken steps to fill existing positions. Any additional needs will be considered and requested via the standard process. The Ministry is reviewing its formal report-back process relating to completed investigations and prosecutions in an effort to ensure it is more timely and relevant to its client group. The Ministry has already implemented a procedure where the auditor, audit manager, and relevant director are informed by memo of the results of a court case within two weeks of notification by Legal Services Branch prosecutors.

## INTEGRATED TAX COLLECTION AND MANAGEMENT INFORMATION SYSTEM

The need to enhance the Ministry's management information technology systems to more effectively support the administration of all tax statutes was identified as far back as the time of our audit of this program in 1995. For example, in our 1995 report, we identified information, which the BASYS computerized information technology system in use at the time did not produce, that would be useful for the administration of the RST program. At that time, the Ministry indicated that it had an initiative under way to develop a ministry-wide "integrated tax administration system" (ITAS) that was to create a single-taxpayer-based computerized information system for all tax programs administered by the Ministry. RST was scheduled to be transferred to ITAS in early 1997.

However, at the time of this audit, no new information systems have been developed and implemented for administering the RST program, with the result that the BASYS system being used today is the same system that has been in place since the 1970s.

We note that the Ministry is currently in the third year of a six-year development process for modernizing Ontario's systems for tax administration (MOST). By March 31, 2007, the Ministry had spent approximately one-third of the projected \$138-million cost of developing MOST. The Ministry anticipates that during the fall of 2007 it will release phase 1 of MOST, which will support the administration of and accounting for RST

revenues. The system to support the administration and accounting for Employer Health Tax revenues and the operations of the Revenue Collections Branch are to be implemented in fall 2008. The Ministry expects to obtain a \$6 increase in revenue for every \$1 spent on the project by the time it is fully implemented in 2010, as well as being able to provide improved customer service.

We will report on the status of the development and implementation of the Ministry's latest information technology system development initiative in our follow-up of the status of our recommendations in 2009 to assess whether the expectations for the new technology systems have been met.

## Chapter 3

### Section 3.14

# Universities— Management of Facilities

## Background

Ontario has 18 publicly funded universities, with full- and part-time enrolment in fall 2006 totalling 436,000 and ranging from 3,400 to 72,000 students per institution. In the year ended April 30, 2006, their operating revenues totalled about \$5.4 billion, comprising almost \$2.8 billion in provincial grants, \$2 billion in tuition fees, and the balance from donations, investments, and miscellaneous sources. Total operating expenditures were about \$5.1 billion.

Ontario universities own most of their facilities. A report published by the Council of Ontario Universities in 2007 stated that universities in this province managed a portfolio of 918 buildings with 5.6 million square metres of space, excluding student residences. The estimated replacement value of these facilities was \$14.4 billion as of March 2007, while the value of associated infrastructure, such as boilers and power systems, was an estimated \$2.2 billion. The average age of the buildings was over 30 years as of March 2007.

As owners of their facilities, universities are responsible for utility costs and day-to-day cleaning, repairs, and security services. The Ministry of Training, Colleges and Universities expects these

costs to be funded out of the universities' operating revenues. In addition to daily operating costs, universities are also responsible for maintaining the facilities in good condition. The Ministry assists universities with these costs through its Facilities Renewal Program grants of \$26.7 million per year.

## Audit Objective and Scope

This was the first value-for-money (VFM) audit conducted in the university sector following a legislated expansion of the mandate of the Office of the Auditor General of Ontario that took effect April 1, 2005. This expansion allows us to conduct VFM audits of institutions in the broader public sector, such as universities, long-term-care facilities, and school boards.

Our objective was to assess whether selected universities had adequate policies, procedures, and systems to manage and maintain their academic and administrative facilities cost-effectively.

We examined facility management policies and practices at three universities: Carleton University, McMaster University, and the University of Guelph. Selected information about these universities is presented in Figure 1. We also asked the 15 other



**Figure 1: Selected Background Facts on Three Universities**

Source of data: the three universities audited and the Council of Ontario Universities

	Carleton University	McMaster University	University of Guelph	All Universities
<b>2005/06 Enrolment</b>				
full-time	18,858	21,137	18,826	346,673
part-time	4,977	3,529	1,796	79,427
<b>Operating Budget</b>				
2006 (\$ million)	230	346	230	5,061
<b>Area—March 2007</b>				
floor (m <sup>2</sup> )	236,853	440,513	345,408	5,558,433
site (hectares)	62	196	235	not available
<b>Building Details—March 2007</b>				
# of buildings	28	40	122	918
average age (years)	36.2	37.5	47.9	more than 30

universities and the Ontario College of Art and Design to complete a questionnaire about their policies and practices, and we received responses from all of them.

The areas covered by our audit fell under the responsibilities of three departments at the universities we audited:

- Physical Plant—custodial work; groundskeeping; maintenance; annual capital renewal projects (such as replacing worn-out roofs and modernizing classrooms and laboratories); utilization of administrative space; consumption of gas, oil, electricity, and water; and purchasing practices related to these activities;
- Registrar—utilization of classrooms and laboratories; and
- Security—programs to maintain the safety of students, staff, and property.

Our audit did not cover the construction of new facilities or additions, or retrofits of old facilities.

Our audit was conducted in accordance with professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and procedures as we considered necessary in

the circumstances. The criteria used to conclude on our audit objective were provided to senior management of the universities we audited and were related to the systems, policies, and procedures that should be in place and operating effectively.

## Summary

Recognizing the increasing backlog of capital projects required to maintain university facilities in good condition and the need to have good information for decision-making, universities purchased a common capital-asset-management system in 2001. The system indicates that the backlog of deferred maintenance was estimated to be \$1.6 billion in 2006. At the three universities we audited, their combined capital renewal projects in the 2005/06 fiscal year totalled \$18.3 million. At less than 5% of their combined deferred-maintenance amount, which at that time was estimated to be approximately \$409 million, this was not sufficient to reduce the backlog of deferred-maintenance projects.

With respect to cost-effective operations of their facilities, universities would benefit, we believe, from having better information about space utilization and about their physical-plant operations.

With respect to purchasing, we were pleased to note that the universities we audited had policies in place that promoted open and competitive purchasing practices, and, in our testing of purchases relating to physical-plant operations, we found that the policies were generally being complied with.

At the three universities we audited, we also found the following:

- The usefulness of the capital-asset-management system for prioritizing capital renewal projects and the accuracy of deferred maintenance information could be enhanced by:
  - implementing procedures to update the system for completed renewal projects in a more timely manner;
  - for a sample of facilities, checking the reliability of the deferred maintenance forecasts made by the system; and
  - instituting programs to periodically re-inspect the condition of facilities, such as the 20%-per-year inspection program at one of the universities we audited.
- The procedures to ensure that academic space (classrooms, laboratories) and administrative space were used efficiently need to be improved. Internal studies done triennially at one university and a consulting study at another university indicated that significant improvements in the utilization of academic space could be achieved. A new scheduling system being implemented at one university was expected to achieve a 30% improvement in the utilization of academic space.
- There was insufficient analysis of facility costs to enable them to be taken into account when decisions were made regarding the design and approval of new educational programs and research projects.

- There was a need for additional analysis to compare the operating costs of each facility to those of similar facilities at the university or at other universities in order to identify and take action on opportunities to reduce costs. Some comparative information is available from the U.S.-based Association of Higher Education Facility Officers, to which most Ontario universities belong.
- They did not have procedures to properly monitor and evaluate the performance of their respective plant departments.
- Their physical-plant departments did not have adequate procedures to verify that staff and contractors had completed their work properly or to use complaints and results from satisfaction surveys to help assess the performance of staff and contractors.

We sent this report to the universities we visited as part of this audit, and to the Ministry of Training, Colleges and Universities, and invited them to provide a response. We received responses from each of the three universities and from the Ministry. To be succinct and avoid repetition, we summarize the overall responses we received from the universities below, followed by the Ministry's overall response. Responses by the universities and the Ministry, where applicable, to specific recommendations are summarized following each recommendation.

### SUMMARY OF UNIVERSITIES' OVERALL RESPONSE

Overall, the universities generally agreed with our recommendations and, in some cases, subsequent to the audit, were already taking action to address them. In other cases, they indicated that implementation would be dependent on the availability of resources.

## OVERALL MINISTRY RESPONSE

The Ministry responded that the “report provides the three universities audited with several recommendations that will improve the quality of information used in maintenance decisions, and improve cost efficiency with respect to space utilization and their physical-plant operations. The Ministry will encourage all publicly funded universities to implement these recommendations.” The Ministry also noted that the government provided universities with \$210 million in year-end grants in the 2006/07 fiscal year to address immediate cost pressures, which could include deferred maintenance.

## Detailed Audit Observations

As owners of a large number of buildings and, in most cases, significant surrounding acreage, Ontario universities manage sizeable property portfolios. Each of the universities we audited used a different mix of in-house staff and contractors to provide property-management services. Figure 2 shows the replacement costs of buildings, the number of square metres of space as of March 2007, and the replacement cost per square metre of space for the three universities we audited and for all Ontario universities. The totals include academic and administrative space only; other types of facilities, such as student residences, are excluded.

### RENEWAL OF FACILITIES

University buildings, like any other properties, deteriorate with use and the passage of time unless sufficient funds are invested in their upkeep, including the structure, interior finishings, electrical systems, heating and air-conditioning systems, and

plumbing. As well, systems and designs of buildings may become uneconomical or obsolete over time. For example, classrooms may not support modern presentation technology, or their size may no longer match current program delivery needs. In addition, older buildings sometimes require extensive renovations to meet new health, safety, access, and other regulations.

The Ministry of Training, Colleges and Universities (Ministry) provides Ontario universities with a total of \$26.7 million annually to help fund the capital-renewal projects required to maintain their facilities. This amount, which has not changed in five years, is allocated among the 18 universities using a formula that is based primarily on enrolments. In 2005, the Ministry also provided the universities with one-time funding of \$133 million for capital renewal.

### Deferred Maintenance

The Council of Ontario Universities (Council) defines deferred maintenance as “work that has been deferred on a planned or unplanned basis to a future budget cycle or postponed until funds become available.” A key concern of senior university administrative and physical-plant officers in recent years has been the backlog of deferred-maintenance projects, and its impact on operations and work and learning environments. For example, depending on its type and the materials used, a roof might have an estimated life of 20 years, after which it should be replaced. The longer that replacement is deferred, the greater the risk of leaks and water damage to the structure and interior finishes, along with possible health risks arising from mould.

In 2001, a task force composed of representatives from Ontario’s universities agreed that it was necessary to purchase a common capital-asset-management system to assess, track, and report on the condition of facilities. The task force made the

**Figure 2: University Buildings—Area and Replacement Cost**

Source of data: Council of Ontario Universities report on Ontario Universities Facilities Condition Assessment Program, March 2007

	Carleton University	McMaster University	University of Guelph	All Universities
replacement cost (\$ million)	554	1,440	875	14,426
area (m <sup>2</sup> ) (000)	237	441	345	5,558
replacement cost (\$/m <sup>2</sup> )	2,337	3,265*	2,533	2,595

Note: The table includes data for academic and administrative space only. Other facilities such as student residences are excluded.

\* McMaster University's high replacement cost per square metre is the result of its hospital (medical program) and science and engineering buildings (laboratories), which it valued at approximately \$3,600 per square metre.

point, among others, that implementing a Facility Condition Assessment Program, using this system and adequate training, would “help to ensure that Ontario’s universities will be better able to identify the accurate costs of deferred maintenance and measure the effects of funding aimed at addressing those costs.” The system requires that each major component of a building—roof sections, classrooms, heating, ventilation, air-conditioning systems, and so on—be inspected, either entirely or on a sample basis. Data on the findings of these inspections are to be entered into a database maintained by the software vendor. The system uses industry-standard cost and lifecycle data to forecast the timing and costs of capital renewal projects.

The Council has access to information about all Ontario universities in this database and, since the fall of 2001, has been using this information to provide the Ministry with annual Facilities Condition Assessment Reports. The latest such report, issued in March 2007, states that annual renewal expenditures in the order of \$264 million are required just to maintain the facilities at their current condition (\$260 million at September 2004). Considering that the average Ontario university building is more than 30 years old, this level of annual expenditure is consistent with a consulting report that one of the universities we audited received in 2006. That report said that annual capital renewal spending over the useful life of a building would typically average between 1% and

1.5% of replacement cost, and range from 0.5% per year in the first 10 years to 2.5% per year after 25 years. At the three universities we audited, the budgets for the 2005/06 fiscal year for facilities renewal totalled \$18.3 million, or 0.9% of replacement cost. The average age of their buildings ranged from 36 to 48 years and their combined deferred maintenance backlog was an estimated \$409 million, excluding infrastructure.

The results of our audit and the responses to the questionnaire we sent to all Ontario universities indicate that recent actual capital renewal spending has been well below their assessed needs. We were advised that this has been the case for many years, resulting in a significant backlog of necessary renewal projects that have been deferred for lack of funding. The deferred-maintenance backlog was \$1.6 billion as of March 2007 (\$1.5 billion at September 2004).

In 2005, the Hon. Bob Rae discussed the capital needs of Ontario universities in *Ontario, A Leader in Learning*, his report on the design and funding of Ontario’s post-secondary education system. The report, commissioned by the government, noted that “the maintenance and repair backlog for post-secondary institutions has been a growing problem for many years. The consequences can vary from the visibly serious (a boiler fails in mid-winter) to the more subtle yet critically important (the impact of a sub-par environment on learning).” The report went on to recommend that:

- The government “provide sufficient funding to permit colleges and universities to contract for up to \$200 million of critical repair work in each of the next three years, beginning in 2005-06.”
- “While this initial work is proceeding, the Ministry of Training, Colleges and Universities should work with sector partners to refine and update the full assessment of the system’s maintenance backlog, currently estimated at a total of \$1.8 billion.”
- “A comprehensive plan should be developed to bring the system to a state of good repair.”
- Institutions “develop asset management plans to keep their inventory in good repair, and set aside appropriate resources as a regular part of planning and budgeting to ensure that future backlogs are avoided.”

With respect to the first recommendation, the government provided one-time funding in the 2005/06 fiscal year of \$200 million—\$67 million to colleges and \$133 million to universities. At the time of our audit, we found no indication that any progress had been made in developing a comprehensive plan to bring the system to a state of good repair. The universities we audited had made some progress on the planning aspect of the fourth recommendation.

The universities’ Facilities Condition Assessment Program represents an important step in providing the Ministry and universities with periodic information about the extent of the deferred-maintenance issue. However, we found at the three universities we audited that there were steps they could take, consistent with the second recommendation above, to enhance the accuracy of the information reported to their Boards of Governors and to the Ministry. These include the following:

- Universities could periodically test a sample of buildings to ensure that the models used by the capital-asset-management system to forecast the timing and annual costs of

capital-renewal projects are generating reliable results.

- Universities could reinspect the condition of facilities on a regular basis (only one of the universities we audited had done this). In the absence of periodic reassessments, errors in previous assessments or input errors to the database go uncorrected. For example, one university we audited engaged consultants to perform detailed condition assessments of the roofs of three buildings that had experienced leaks. We compared the results of these assessments to the information in the database and found that, for two of the buildings, the database showed the roofs as being in much better condition than described by the detailed inspections. In one case, the database showed a roof in good condition, with more than 10 years of useful life remaining, while the detailed inspection, just two years later, found that 87% of the roof needed replacement.
- Universities could arrange for periodic, independent reviews to verify that each university’s building-condition-assessment procedures meet the intent of the Facilities Condition Assessment Program.
- Universities could modify how facility-condition information is maintained in the database to capture each specific renewal project—with the result that the database would be up to date on the actual conditions of facilities and deferred-maintenance estimates would be more accurate. Currently, at the universities we audited, the database was not updated for some renewal projects as they are completed—for example, those involving a section of a roof. At two of the universities, these projects were not reflected in the database until the next condition assessment of that building. In such cases, a university with a five-year inspection cycle may not reflect



up to four years' worth of completed projects in its estimate of deferred maintenance. One university we audited engages a consultant annually to update its database for completed projects. Another university, which uses a consultant to re-inspect its academic facilities on a five-year cycle, began recording facility data at the project level in 2007.

## RECOMMENDATION 1

To help ensure that decisions dealing with the maintenance of university facilities are based on adequate information, universities should:

- periodically verify that the renewal models used by their capital-asset-management system are generating reliable deferred-maintenance forecasts;
- establish programs to periodically re-inspect the condition of their facilities;
- institute periodic, independent reviews to verify that their procedures meet the intent of the Facilities Condition Assessment Program; and
- maintain facility-condition information in their capital-asset-management database at a level of detail that is consistent with the way in which renewal projects are undertaken, and update the database as projects are completed.

To help ensure that university facilities provide effective work and learning environments, the Ministry of Training, Colleges and Universities should work with universities to develop a plan to reduce the extent of deferred maintenance.

## SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally agreed with the recommendation. One university indicated that it has been developing a comprehensive

management plan to address the issues raised in the recommendation. It was expecting that this would be fully implemented by the end of 2008. Another university agreed that its system could be enhanced through periodic re-inspection, and that it would consider a process to implement more frequent inspections within available resources. The third university said it did not believe that independent reviews of its procedures would be useful.

## MINISTRY RESPONSE

With respect to the report, *Ontario, A Leader in Learning*, the Ministry stated that the government did not implement all of the recommendations in this report. Instead, it responded by implementing the Reaching Higher in Postsecondary Education plan, a multi-year investment whereby total operating grants to universities will increase by \$814 million, or 35%, between the 2004/05 and 2009/10 fiscal years.

The Ministry also told us that, recognizing that ownership and stewardship of any plan to reduce the extent of deferred maintenance “resides with the individual universities, the Ministry concurs with the recommendation and will seek to work with universities to develop their plans to reduce deferred maintenance amounts.”

## Prioritization of Renewal Projects

At the universities we audited, facility renewal projects were identified and selected for funding at meetings of senior physical-plant personnel. We were advised that projects designed to address health or safety problems were given priority over other projects. Only one of the three universities had implemented a formal system for ranking

potential projects. This university ranked its projects in three respects: likelihood of loss or failure; impact of loss or failure; and cost of deferral or consequential damage. There was a need for better documentation at the other two universities to support the selection of one project over another.

In addition to better documentation of the selection process, the prioritization processes at the universities we audited could also be strengthened by implementing procedures to ensure that their plant personnel have complete schedules of potential renewal projects at their project selection meetings; that is, that no critical replacements or renovations had been overlooked. The capital-asset-management system used by Ontario universities is capable of fulfilling this need.

However, to use this capability effectively, universities would have to ensure, as mentioned earlier, that the system's database is updated as renewal projects are completed. They would also have to take steps to ensure that the information in the database about the condition of major building systems and components is accurate and that all building systems and components are included. None of the universities we audited had adequate assurance regarding the accuracy and completeness of its database. However, beginning in 2007, one university is addressing this by changing its condition assessment program, while another is allocating additional resources.

## RECOMMENDATION 2

To help better ensure that capital-renewal funds are allocated to the highest-priority projects, universities should take steps to ensure that they have accurate and complete schedules of renewal projects due in each year and, where there are insufficient funds to complete all projects that are due, implement formal project-ranking procedures.

## SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally agreed with the recommendation. One university indicated that it has implemented the items in the recommendation based on sound risk-assessment principles, and that the assessment process has been used to develop a 10-year plan to address critical deferred maintenance and will continue to be used to update this plan. Another university agreed that a formal project-ranking procedure could enhance the process, and that it would explore the most effective and efficient approach and best practices. The third university believed that its current process was sound, but indicated that it will continue to expand its use of the Facility Condition Assessment software to support improved project scheduling and ranking.

## UTILIZATION OF FACILITIES

University facilities are expensive to build and operate, so it is critical that space be well utilized. Any improvements in the use of existing space can help universities defer construction of new facilities to meet growing enrolments or remove from service older buildings that are in poor condition and more expensive to operate.

### Assessing Existing Utilization

In order to identify opportunities to improve utilization, universities require procedures to measure, analyze, and report on the use of academic space (classrooms and laboratories) and administrative space. Specifically, this would require universities to measure and analyze hours of use versus available hours, and space needed versus space used on an ongoing basis.

While none of the three universities we audited used such procedures regularly, one had staff examine classroom utilization every three years. Another had hired consultants in 2006 to analyze its utilization of space to support the development of a master plan for campus space.

The consultants reviewed the fall 2005 and winter 2006 semesters at this university and, as illustrated in Figure 3, found that average daytime utilization was 58% for the classrooms controlled by the registrar’s office. The consultants noted that a large and diverse university such as this one “should reach an average of 80% room utilization before considering that its classroom pool is used at capacity,” which the university accepted. The consultants also found that the university’s laboratories were used for only 22% of available daytime hours. The consultants suggested a utilization target of 60% that, if achieved, would increase utilization by about 170%.

The consultants also compared class enrolments to the number of seats in classrooms, and found that the “classroom pool is generally composed of rooms that are too large for the size of groups using them.” The consultants noted that the ratio of class enrolment to seats was about 80% for small classrooms of 11 to 20 seats, and from 60% to 73% for larger classrooms.

The consultants’ recommendations included:

- increasing average weekly utilization of classrooms from 27.5 hours to 36 hours;
- scheduling more classes during less favoured times (we noted that classroom utilization on Fridays was less than 50% of the average rate for Mondays through Thursdays);
- improving the overall match between the seating capacity of allocated classrooms and the number of students enrolled in a class;
- achieving 80% utilization of classrooms within three years; and
- setting scheduling timelines and milestones to allow the university to estimate overall

**Figure 3: Utilization of Available Hours for Day Classes at One University in the 2005/06 Academic Year**

Source of data: 2006 Consultants’ Report to the University

	Fall	Winter	Recommended Target
<b>Classrooms</b>			
hours available/week	6,435	6,435	–
hours used/week	3,723	3,595	5,148
% of hours used	58	56	80
<b>Laboratories</b>			
hours available/week	3,375	3,375	–
hours used/week	752	723	2,025
% of hours used	22	21	60

demand for classroom space before actual room timetables are produced.

The registrar advised us that the university was in the process of implementing new scheduling practices and policies for the 2007/08 academic year that included greater use of classrooms on Fridays, the release of the 25% of classrooms controlled by faculties into the general classroom pool when not in use, the use of laboratories for small regular classes, and more evening activity. The registrar also told us that simulations incorporating these changes showed that the existing pool of academic space could accommodate 30% more classes and that the university intended to begin monitoring hours of use versus available hours for classrooms and laboratories in 2007/08.

With regard to administrative space, the consultants also found examples of poor utilization. For instance, meeting rooms were not well utilized because there was no process in place to make meeting rooms located in one department available to other departments when not in use. We were advised that the university has now implemented the required process.

At the second university, the most recent triennial examination of classroom utilization, in October 2004, indicated that the smaller the classroom, the lower the utilization, and that Fridays and evening time slots were less utilized.

Although none of the three universities regularly monitored the use of administrative space, a space audit at one university in 2003 found that a number of faculty members had more than one office—their faculty office plus separate quarters for research projects or other assignments. The audit also found that some research space appeared to be underutilized and that there were no criteria for determining whether a research project should have dedicated or shared space. The audit led to a policy change requiring the Vice-President of Research to approve space requests. This also led to the identification and reallocation of underutilized research space.

We were also advised by another university that it was in the process of hiring a Director of Space and Capital Planning. The Director's duties were to include "space planning and management to ensure efficient and effective utilization of space in which the university community studies, works, lives and socializes."

In summary, given the very useful findings regarding space utilization obtained by the university that undertook a specific review of this area, this type of review may well prove useful to all universities.

### Incentives for Minimizing Space Demands

In addition to the lack of space-utilization monitoring, there were no incentives at any of the three universities to encourage academic and administrative staff to find ways to improve space utilization. One approach that could encourage more efficient use of space is to recover the cost of space from the academic and administrative departments that use it, and allow users who reduce their space requirements to keep some or all of the savings to spend on other needs.

In reviewing practices in other jurisdictions, we noted a 2005 report commissioned by the Higher Education Funding Council for England that found

that higher-education institutions that charge for space use 12% less space than those that do not charge for space.

### RECOMMENDATION 3

To help ensure that they minimize their space needs and the associated facility costs, universities should:

- ensure that they have adequate systems and procedures to measure, analyze, and report on hours of use versus available hours, and space needed versus space used; and
- set space utilization objectives to be achieved over a three- to five-year time frame.

### SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally agreed with the recommendation. One university indicated that it recognized in 2006 the importance of more effective management of space utilization and that it was in the process of setting up a management system, including additional staff, to implement the recommendation. It anticipated that the system would be in place by the end of 2008. Another university indicated that it uses a central booking system for the majority of its classroom space, and that it was considering various approaches to encourage more efficient use of space.

### INFORMATION FOR CONTROLLING COSTS

Facility operating costs at Ontario universities average approximately \$50 per square metre per year for day-to-day operations, plus \$20 per square metre for capital renewal projects. Costs are affected by a number of factors, such as a building's age, quality of construction and finishings, what it

is used for, and the number of staff and students who use it each day. We found that the universities we audited did not analyze cost information to determine how facility operating costs are affected by changes in hours of operation, traffic, type of finishings, overall state of repair, and utilization. This would help in identifying for similar facilities which ones had costs per square metre that were significantly above or below average. Such information would allow a university to identify potential savings that could be achieved by:

- correcting poor practices, such as inadequate preventive maintenance leading to high emergency-repair costs;
- introducing new equipment or work methods campus-wide where results of pilot tests had been positive;
- using finishings in the construction of new facilities that have been proven to be more durable and cheaper to clean and maintain;
- changing the composition of the facility portfolio over time to favour those buildings that have proven to be more cost-effective to operate; and
- enabling universities to take the related facility costs into account when designing and approving new educational programs and research projects.

In order to provide management with the information required to understand and analyze the facility costs they incur, the three universities would have to implement systems and procedures to:

- *Allocate operating costs to facilities.* Operating costs include utilities, cleaning, repairs, and associated supervisory and administrative expenses. These costs can be recorded on a per-building basis by installing separate meters for utilities and making use of maintenance-management systems to allocate cleaning and repair costs, including overhead and materials. Two of the three universities

we audited had maintenance-management systems that were used to allocate operating costs to buildings. Overhead costs, such as insurance and security, were not allocated to buildings.

- *Allocate capital costs to facilities.* Universities incur significant costs to build new facilities. Accordingly, the cost information provided to management should include an appropriate depreciation charge.

We also noted that, while the various physical-plant departments of the province's universities had attempted to compare facility costs, the plant departments at the universities we audited said the results were not very informative because the costs did not reflect any adjustments for the differences in program offerings and research activities, or the age of facilities. For example, although all three universities we audited are comprehensive universities, the University of Guelph includes the Ontario Veterinary College, McMaster University has a medical program, and Carleton University places greater emphasis on high-technology programs. Universities would have to be able to segregate costs that are attributable to distinct activities for cost comparisons to yield useful information.

#### RECOMMENDATION 4

To help manage facility costs, universities should implement systems and procedures to provide management with the information required to:

- enable them to take facility costs into account when making decisions, including those regarding the design and approval of new educational programs and research projects; and
- perform both the internal- and external-cost comparisons required to identify poor and good practices, and take action to correct or promote them respectively.



## SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally agreed with the recommendation. One university indicated that it currently benchmarks costs with local and U.S.-based facilities. However, because costs are often reported and coded differently across institutions, it is a challenge to achieve consistency between universities. To enhance its internal analysis, this university, after our audit, installed meter systems on each building to track utility use. This university also noted that, as this information comes on-line, more analysis could be completed and the university's effectiveness in managing these costs improved.

Another university stated that its physical-plant department is part of the formal review and sign-off for new research, educational proposals, and new facilities in areas related to operational costs. This university also indicated that its energy-metering system and detailed allocation of contracted custodial- and maintenance-services costs enable it to provide good estimates of operating costs.

## MONITORING PERFORMANCE AND QUALITY CONTROL

### Establishing Performance Objectives

The three universities we audited had annual expenditures of \$8 million, \$15 million, and \$21 million each for custodial, groundskeeping, and maintenance services, and \$1.4 million, \$1.6 million, and \$1.7 million for security services. Given the significant costs involved, we expected the universities to have established appropriate procedures for monitoring the performance of their physical-plant and security departments to ensure that they receive value for these expenditures. However, we found that none of the universities we

audited had established measurable service-level objectives for its plant and security departments.

We noted that the U.S.-based Association of Higher Education Facilities Officers (Association), to which most Ontario universities belong, has defined five levels of service for the three categories of physical-plant department activities—custodial services, groundskeeping, and maintenance. For example, Figure 4 summarizes the service-level definitions for custodial services.

The Association also publishes information on costs and numbers of employees needed by institutions of varying sizes to achieve each level of service. The plant personnel at the universities we audited were of the view that Service Level 3 would be an appropriate objective for all three categories, but they were resourced at a level between 3 and 4.

Ontario universities could use the Association's five levels of service and related cost information as a starting point to determine which service-level objectives represent the best compromise between available funding, on the one hand, and their assessment of what constitutes a safe and productive working and learning environment, on the other. Once a university establishes service-level objectives, physical-plant departments would report on the extent to which they were achieved. Accountability for the effective use of funds could also be enhanced through periodic independent reviews. One of the universities we audited had engaged consultants to examine its plant operations, while another performed an internal review. While both resulted in a number of useful recommendations, the universities indicated that the lack of resources limited their ability to implement them.

### Maintaining Service Quality

Just as the university is responsible for monitoring a department's performance, that department is responsible for monitoring the performance of the staff and contractors in its employ. Supervisory

**Figure 4: Levels of Service Definitions for Custodial Services**

Source of data: Custodial Staffing Guidelines for Educational Facilities, Association of Higher Education Facilities Officers, second edition

Service Level	Definition
1. orderly spotlessness	Floors and base mouldings are bright and clean; colours are fresh. Vertical and horizontal surfaces have a freshly cleaned appearance; no accumulation of dust, dirt, marks, streaks, smudges, or fingerprints. Lights all work and fixtures are clean. Washroom and shower tile and fixtures gleam and are odour-free; supplies are adequate. Trash containers hold only daily waste and are clean and odour-free.
2. ordinary tidiness	Floors and base mouldings are bright and clean. There is no buildup in corners or along walls, but there can be up to two days' worth of dirt, dust, stains, and streaks. Vertical and horizontal surfaces are clean, but marks are noticeable. Lights all work and fixtures are clean. Washroom and shower tile and fixtures gleam and are odour-free; supplies are adequate. Trash containers hold only daily waste and are clean and odour-free.
3. casual inattention	Floors are swept clean, but dust, dirt, and stains, as well as a buildup of dirt, dust, and/or floor finish in corners and along walls, can be seen. There are dull spots and/or matted carpet in walking lanes, and streaks on base moulding. Vertical and horizontal surfaces have obvious dust, dirt, marks, smudges, or fingerprints. Lights all work and fixtures are clean. Trash containers hold only daily waste and are clean and odour-free.
4. moderate dinginess	Floors are swept clean, but are dull, dingy, and stained. There is an obvious buildup of dust, dirt, and/or floor finish in corners and along walls. Moulding is dull, and contains streaks and splashes. Vertical and horizontal surfaces have conspicuous dust, dirt, marks, smudges, or fingerprints. Up to 5% of lights are burned out and fixtures are dirty. Trash containers are dirty, hold several days waste, and smell sour.
5. unkempt neglect	Floors and carpets are dull, dirty, dingy, and scuffed or matted. There is a conspicuous buildup of old dirt and/or floor finish in corners and along walls. Base moulding is dirty, stained, and streaked. Gum, stains, dirt, dust balls, and trash are broadcast. Vertical and horizontal surfaces have major accumulations of dust, dirt smudges, and fingerprints, all of which are difficult to remove. More than 5% of lights are burned out and fixtures are dirty. Trash containers are dirty and overflowing, and smell sour.

inspections of completed work are the primary mechanism to ensure that all tasks assigned or contracted for are completed and that work is of acceptable quality. However, we found that the inspection processes could be improved at the universities we audited, as summarized below:

- **Custodial Services**—One university's custodial department performed formal inspections, but they were infrequent—only one to three times a year, depending on the level of traffic or significance of the area. We noted that this unit used inspection results to measure its service outcomes against the Association's service-level definitions and determined that it achieved about level 3.5. While the custodial-service contractor at the second university

provided inspection reports to the university, the university took no steps to satisfy itself that it received the contracted level of service. There was no formal inspection process at the third university.

- **Groundskeeping**—There was no formal inspection process at any of the three universities.
- **Maintenance**—There was no formal inspection process at any of the three universities.
- **Security**—None of the three universities had developed processes to assess the quality of the work of individual security personnel, other than the quality of incident reports (such as accuracy and completeness, and steps taken to address incidents).

Information on the nature and volume of complaints, along with satisfaction surveys of students and staff, can also be useful tools in assessing the performance of physical-plant and security services. Two of the three universities we audited used surveys to obtain opinions on the adequacy of custodial, groundskeeping, and maintenance services, but not on security services. None of the universities organized complaints or survey results in a manner that facilitated analysis and evaluation of performance.

### RECOMMENDATION 5

To help ensure that they receive value for the money they spend and that work is properly completed, universities should:

- consider establishing service-level objectives and require that their physical-plant and security departments report on the achievement of these objectives;
- implement supervisory inspections of the work of staff and contractors for quality and completeness, and document the results of these inspections; and
- use survey results and complaint information to help evaluate departmental and staff performance.

### SUMMARY OF UNIVERSITIES' RESPONSES

The universities generally agreed with the recommendation. One university agreed that its

maintenance function could benefit from a more rigorous follow-up, which will be implemented in 2008. Another university noted that formal surveys are a good idea and, if resources were available in the future, it would consider implementing this approach. The third university noted that it currently uses the results from surveys to evaluate and adjust service levels and procedures, that it was reviewing its service levels across campus, and has set objectives in some areas, with others to be considered in the future.

## PURCHASING POLICIES AND PROCEDURES

We reviewed the purchasing policies and procedures of the three universities we audited. At each university, as we would expect, the processes required to obtain competitive bids were dependent on the value of the items to be purchased. We found that policies and procedures at each of the three universities ensured that goods and services purchased for this area were acquired economically and that there was a fair and open competitive acquisition process. With respect to purchases made in connection with custodial services, groundskeeping, and maintenance activities, our testing indicated that the policies and procedures were generally being followed.

# Follow-up of Recommendations in the *2005 Annual Report*

It is our practice to make specific recommendations in our value-for-money (VFM) audit reports and ask ministries, agencies, and organizations in the broader public sector to provide a written response to each recommendation, which we include when we publish these audit reports in Chapter 3 of our Annual Report. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken by management with respect to our recommendations.

Chapter 4 provides some background on the value-for-money audits reported on in Chapter 3 of our *2005 Annual Report* and describes the current status of action that has been taken to address our recommendations since that time as reported by management.

As discussed in Chapter 2, for over 80% of the recommendations we made in 2005, management has indicated that progress is being made toward implementing our recommendations, with substantial progress reported for nearly half.

Our follow-up work consists primarily of inquiries and discussions with management and review of selected supporting documentation. This is not an audit, and accordingly, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The corrective actions taken or planned will be more fully examined and reported on in future audits and may impact our assessment of when future audits should be conducted.

## Chapter 4

### Section 4.01

Ministry of Health and Long-Term Care

# Ambulance Services—Air

Follow-up to VFM Section 3.01, 2005 Annual Report

## Background

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. At the time of our 2005 audit, the Ministry contracted with private operators to provide aircraft, pilots, paramedics, and bases to house the aircraft when not in use. Ministry expenditures for the air ambulance program totalled approximately \$112 million in the 2006/07 fiscal year (\$93 million in 2004/05).

In our *2005 Annual Report*, we found that the Ministry needed to take action to ensure that its expectations for the delivery of air ambulance services, including patient care, would be 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 monitored the reaction times of only 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 Ministry’s operator service reviews that 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 had already been dispatched had been increasing, from about 27% in the 2003/04 fiscal year to 33% in 2004/05. The Ministry had 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 of 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.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

Responsibility for co-ordinating all aspects of Ontario's air ambulance system was transferred to Ornge (formerly the Ontario Air Ambulance Services Co.), a non-profit body accountable to the government through a performance agreement. The transfer was completed in January 2006, with Ornge assuming responsibility for all air ambulance operations, including the contracting of flight service providers, medical oversight of all air paramedics, air dispatch, and authorization of air and land ambulance transfers. Notwithstanding this transfer of responsibility, the Ministry was able to provide us with information on the current status of our recommendations as of late spring 2007. According to this information, some progress has been made in addressing all of the recommendations in our 2005 *Annual Report*, although it will take several years for most to be implemented. The current status of the action taken on each of our recommendations is as follows.

### REACTION TIMES

#### Recommendation

*To help ensure that the air ambulance dispatch centre and operators respond to calls in a timely manner, the Ministry should more closely monitor actual reaction*

*times against ministry standards and contractual requirements and develop a strategy to improve both dispatch and operator reaction times, especially where these reaction times are being significantly exceeded.*

#### Current Status

The Ministry indicated that, in May 2007, Ornge deployed in its communication centre a new integrated computer program, OPTIMAS, which measures both dispatcher and operator reaction times. Once more data are collected, the reaction times are to be analyzed and the Ministry is to receive a copy of this analysis. At the time of our follow-up, what actions will be taken by Ornge when reaction times exceed reaction-time standards and contractual requirements had not yet been shared with the Ministry.

### DECISION TO DISPATCH

#### Recommendation

*To better ensure that air ambulances are used only when necessary, the Ministry should require that the reasons for air ambulance use and for the selection of particular aircraft be sufficiently documented. The Ministry should also periodically review this information to identify the need for any corrective action.*

#### Current Status

According to the Ministry, OPTIMAS, the newly deployed computer program, is to include fields for the flight decision, as well as a comment field to enable the dispatcher to document the rationale for the decision to utilize a particular aircraft. The Ministry indicated that these enhancements are to be implemented during 2007 and are expected to improve the ability to review and assess the use of a particular aircraft and dispatch decisions.

## CANCELLED CALLS

### Recommendation

*To better ensure that air ambulances are available to meet patient needs and are used in a cost-effective manner, the Ministry should:*

- *periodically review the level of cancelled calls;*
- *where the level of cancelled calls is high, analyze the reasons for cancellations; and*
- *take action to minimize unnecessary dispatch of aircraft.*

### Current Status

The Ministry informed us that, at the time of our follow-up, Ornge had a manual process in place for tracking cancelled calls, and was reviewing these calls on a monthly basis by type. However, this manual process is to be replaced during 2007 by the OPTIMAS computer program, which is to track the reason for cancelled calls, using a predetermined list of standard reasons. The Ministry expects that standard reasons for cancellation will further support regular reporting and analysis of cancelled calls.

As well, the Ministry indicated that, to help reduce cancelled calls resulting from patients being transported by land ambulance, eight communities have implemented a process of readying an air ambulance but not dispatching it until more detailed information has been received from the land ambulance dispatch centre, as part of a pre-alert system.

## OPERATOR SERVICE REVIEWS

### Recommendation

*To help ensure proper patient care by air ambulance operators, the Ministry should:*

- *ensure that deficiencies identified in service reviews are corrected on a timely basis; and*
- *determine the circumstances under which it will apply sanctions or consider revoking an operator's certification.*

### Current Status

The Ministry indicated that, as of the time of our follow-up, deficiencies noted in the service reviews conducted by the Ministry were typically being corrected on a timely basis, with the complete process from initial review to verification that deficiencies were corrected taking four to eight months, depending on whether a second follow-up visit was required. Service reviews were to be conducted at least once every three years.

The Ministry also indicated that, at the time of our follow-up, it was in ongoing discussions with Ornge regarding the use of sanctions and the revocation of operators' certificates. The Ministry noted that sanctions and the revocation of an operator's certificate should be considered when all other reasonable efforts to resolve deficiencies have failed, or there is an immediate threat to patient or public safety.

## LOCATION OF AIR BASES AND AIRCRAFT

### Recommendation

*To better ensure that air ambulances are available to meet patient needs, the Ministry should formally assess the number and type of air ambulances needed, the required hours of operational availability, and the optimal locations for aircraft bases and landing areas, including helipads.*

### Current Status

The Ministry informed us that it anticipates that, by 2009, Ornge will have formally assessed the number and type of aircraft needed, and the rationale for existing base locations and aircraft allocation, as well as utilization trends within the system. The results of this analysis are to be used to design an optimal configuration for Ontario's air transport ambulance system.

The Ministry also indicated that, at the time of our follow-up, a helipad expansion program was under way, with new locations being selected on the basis of a number of factors, including distance

from hospitals and number of trauma patients, and that sites that were no longer required were being decommissioned.

## LINES OF AUTHORITY

### Recommendation

*To enable the effective co-ordination and delivery of air ambulance services, the Ministry should ensure that the lines of authority are clarified among air ambulance dispatch, base hospital, and operators.*

### Current Status

The Ministry advised us that the lines of authority were clarified with the creation of Ornge, which is responsible for co-ordinating all aspects of Ontario's air ambulance system, including dispatch, base hospital, and operators.

## ACQUISITION OF OPERATOR SERVICES

### Recommendation

*To better ensure that air ambulance helicopter services are delivered economically, the Ministry should evaluate the risks posed by its significant dependence on one preferred service provider and develop a long-term strategy to encourage a more competitive environment.*

### Current Status

The Ministry indicated that, at the time of our follow-up, Ornge was evaluating the contract models with service providers, and is expected to complete by summer 2008 a long-term strategy to help mitigate the risks of its significant dependence on one provider. Ornge is bound by the terms and conditions of existing contracts until they expire in fall 2008.

## PATIENT BILLINGS

### Recommendation

*To help ensure that the costs of air ambulance services are recovered in those circumstances where the Ministry has determined recovery is appropriate, the Ministry should consider billing actual costs similar to other Ontario health program billing practices.*

### Current Status

The Ministry indicated that, in conjunction with Ornge, a proposed method has been developed for determining the average actual cost to be billed when an uninsured person is transported by an air ambulance. This method, if approved by the Minister of Health and Long-Term Care, is expected to be implemented in 2008.

## INTEGRATED AIR INFORMATION SYSTEM PROJECT

### Recommendation

*To more efficiently meet patient needs with respect to ambulance services, the Ministry should ensure more timely and economical integration of air ambulance information systems, as well as balanced communication between air and land dispatch systems.*

### Current Status

According to the Ministry, the newly deployed computer program, OPTIMAS, is the first step in integrating the air ambulance information systems. As well, the Ministry informed us that Ornge plans to develop a dispatch architecture that is to enhance communications between air and land ambulances. It is expected to be implemented in 2009.

## Chapter 4

### Section 4.02

Ministry of Health and Long-Term Care

# Ambulance Services— Land

Follow-up to VFM Section 3.02, 2005 Annual Report

## Background

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 pays 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 for territories without municipal organization, and other related emergency services. In the 2006/07 fiscal year, ministry expenditures on land ambulance services were approximately \$424 million (\$358 million in the 2004/05 fiscal

year), including \$308 million (\$260 million in 2004/05) provided to municipalities for land ambulance and dispatch services.

In our 2005 Annual Report, we found that the Ministry still 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, two-thirds of land ambulance operators were not meeting their legislated response times even though total costs had increased by 94% in the previous four years. As well, 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; as a result, patient treatment may be delayed or hospital stays may be longer than necessary.

- Ambulance response times increased in about 44% of municipalities between 2000 and 2004, even though the Ministry had 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 were still generally not being 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.
- At the time of our 2005 audit, the 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), could 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 found that over 40% of all operators failed to meet certification standards, even though they had received advance notice of the review.

We made a number of recommendations for improvements at that time and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

According to information we received from the Ministry of Health and Long-Term Care in late spring and summer 2007, the Ministry is considering the recommendations of various committees and working groups regarding how best to address many of our recommendations and the issues raised in our report. While specific action has been undertaken to address our recommendations in some areas, decisions on the best approach and implementation plans for others are still in progress. The current status of the action taken on each of our recommendations is as follows.

### RESPONSIBILITY FOR LAND AMBULANCE SERVICES

#### Balanced and Integrated Service

##### Recommendation

*In order for the public to receive the best possible emergency care, the Ministry should assess what measures are required to ensure that land ambulance services are seamless, accessible, and integrated regardless of municipal boundaries.*

##### Current Status

The Ministry indicated that, to help ensure that land ambulance services are seamless, accessible, and integrated regardless of municipal boundaries, it had convened a Land Ambulance Committee (Committee), comprising municipal and ministry representatives, which began work in late 2005. The Committee provided its advice to the Minister in



early 2006 on various topics, including inter-facility critical care transfers, billings when ambulances cross municipal boundaries, and a land ambulance response time standard.

The Ministry indicated that it was reviewing the Committee's advice regarding changes to the response time standard and had requested further information from the Committee regarding billings when ambulances cross municipal boundaries. In addition, in summer 2007, the Minister's office requested that the Ministry consult with stakeholders regarding various proposed regulatory changes, including those relating to response times and cross-border billings. The Ministry anticipated that decisions would be made with respect to these areas during the 2008/09 fiscal year.

As well, the Ministry stated that a critical-care inter-facility transfer service was being implemented for the transfer of critically ill patients. According to the Ministry, this service is expected both to improve the care of these patients and to result in efficiencies for both hospitals and land ambulance services. Implementation is expected to be completed in spring 2008.

## Non-emergency Scheduled Institutional Transfers

### Recommendation

As recommended in our previous audit of *Emergency Health Services* published in our 2000 Special Report on Accountability and Value for Money, the Ministry should work jointly with municipalities and the hospital community to:

- develop and put in place standards for non-ambulance medical transport services to address passenger safety; and
- take steps that will encourage the use of the most cost-effective resources for the scheduled transfer of non-emergency patients.

### Current Status

The Ministry of Health and Long-Term Care (Ministry) indicated that non-ambulance medical transportation services are part of the Ministry of Transportation's mandate. While the Ministry told us that it was aware of meetings between the Ministry of Transportation and the Medical Transportation Association of Ontario (which represents the non-ambulance medical transportation industry), the Ministry was not involved in these meetings. At the time of our follow-up, the Ministry indicated that it was engaged in dialogue with the Ministry of Transportation regarding the regulatory framework for such medical transportation services, and it planned to continue this dialogue with this and other relevant ministries in order to reassess the regulatory framework and standards in use and determine if they are adequate.

## RESPONSE TIMES

### Ambulance Response Times

#### Recommendation

To help ensure that response times for emergencies, including cardiac arrest, meet the needs of patients throughout the province, the Ministry should:

- together with municipalities, review current response-time requirements for reasonableness and consistency and, where necessary, make adjustments;
- work closely with municipalities to help them meet the response-time requirements; and
- assess the costs and benefits of a fully co-ordinated emergency response system that includes strategically placed publicly accessible automatic external defibrillators.

#### Current Status

The Ministry informed us that, through the Land Ambulance Committee, it convened a multi-stakeholder Response Time Working Group in early 2006 to review current response-time requirements

for reasonableness and consistency, and to review issues related to meeting these requirements. The Ministry indicated that it had reviewed the Group's proposed standard and that it expected that it would make recommendations to the government in winter 2008 on a new methodology for defining, measuring, and reporting response time performance; if approved, the methodology is to be implemented over a three-year time period. And, as previously mentioned, the Ministry was planning to consult with stakeholders regarding proposed changes to response times.

The Ministry informed us that, at its request, the Ontario Health Technology Advisory Committee had conducted a review to determine the settings in which automatic external defibrillators are warranted. This Committee made its recommendations in December 2005. In particular, the Committee did not recommend the installation of automatic external defibrillators in public buildings (for example, casinos and arenas) because of the very low probability that a person would suffer a cardiac arrest in these locations. However, the Committee's recommendations did include support for the current policy of making automatic external defibrillators available to emergency health services, the police, and firefighters. The Committee also supported the use of the devices on aircraft and in those areas of hospitals not readily accessible to "code blue" teams.

### Dispatch Response Times

We noted in our *2005 Annual Report* that the Ministry had commenced a project to integrate Automatic Vehicle Locator (AVL) technology, which uses global positioning satellites and land-based transmitters to identify the geographic location of vehicles, with the computer-aided dispatch systems. For health emergencies, AVL technology can assist dispatchers in identifying the closest ambulance to a patient. At the time of our follow-up, the Ministry

indicated that AVL technology had been implemented in 19 of the 23 dispatch centres.

#### Recommendation

*To ensure that dispatch centres meet the required ambulance dispatch response times, the Ministry should monitor dispatch-centre performance throughout the province and take timely corrective action where necessary.*

#### Current Status

At the time of our follow-up, the Ministry indicated that it was conducting monthly monitoring of call-processing-time performance at computer-aided dispatch centres. According to the Ministry, this monitoring commenced on a trial basis in the fall of 2005, and the process was formalized in the 2006/07 fiscal year. When dispatch response times fall below expected standards, measures such as staff training and requests for additional resources are to be instituted to improve the performance. As well, the Ministry told us that, beginning in October 2007, the three paper-based dispatch centres were also expected to report dispatch processing times.

### Ambulance Time Spent at Hospitals

#### Recommendation

*To help ensure the efficient use of emergency health services and enhance emergency patient care, the Ministry, in conjunction with municipalities and hospitals, should take appropriate action to minimize situations where patients are waiting for extended periods of time in an ambulance before being accepted by a hospital.*

#### Current Status

The Ministry announced the recommendations of the Hospital Emergency Department and Ambulance Effectiveness Working Group in January 2006. The recommendations included ways to transfer patients more efficiently from the care of ambulance paramedics to hospital emergency

departments. To help implement these recommendations, in January 2006 the Ministry established an Emergency Department and Ambulance Quality Committee, as well as the Working Group on Improving Access to Emergency Services. At the time of our follow-up, the Ministry indicated that the work of this committee and this working group was ongoing, and accordingly the implementation plan was not yet completed. As well, in August 2007, the Emergency Department Expert Panel was announced as part of the Ministry's Wait Time Strategy. The Ministry anticipates that this panel will make recommendations to improve the flow of emergency patients and therefore enable patients to be transferred more quickly from ambulances to hospital emergency departments. In addition, according to the Ministry, ambulances in Toronto have begun transporting certain low-risk patients to two urgent-care centres, rather than to hospital emergency departments. The Ministry anticipates that when this initiative is completely implemented, it will lead to improved ambulance response times by freeing up ambulances and paramedics from hospital offload delays.

## FUNDING

### Ministry-funded Costs

#### Recommendation

*The Ministry, in conjunction with the municipalities, should develop a process to better achieve the existence throughout Ontario of a balanced and integrated system of land ambulance services.*

#### Current Status

In February 2006, the Premier announced that the province would spend about \$300 million to move to 50/50 sharing of the cost of municipal land ambulance services by 2008. The Ministry expects that this will better promote the existence of a balanced and integrated system of land ambulance services.

## Ministry Monitoring of Costs

#### Recommendation

*To better ensure the cost effectiveness of funding for land ambulance services, the Ministry should reassess its position on the size of municipal reserve funds allowed and consider obtaining third-party or internal-audit assurance on costs claimed by municipalities where warranted.*

#### Current Status

At the time of our follow-up, the Ministry indicated that it had reviewed and assessed all municipal reserve funds relating to land ambulance services for 2004 and 2005, and found that all such funds were valid. A similar review was being conducted for 2006, with results expected in late fall 2007.

## Cross-boundary Billings

#### Recommendation

*To encourage the quickest response time regardless of municipal boundaries, the Ministry should work with municipalities to help facilitate inter-municipal billing, including:*

- *clearly defining the chargeable amount when an ambulance crosses a municipal boundary; and*
- *ensuring that municipalities have timely access to accurate data for billing purposes.*

#### Current Status

According to the Ministry, a working group of the Land Ambulance Committee provided the Ministry with a report in spring 2007 containing advice related to billings when ambulances cross a municipal boundary. At the time of our follow-up, the Ministry was considering the Committee's advice. As well, the Ministry indicated that working with municipalities to provide them with timely access to accurate data for billing purposes is an ongoing activity.

## DISPATCH OPERATIONS

### Dispatch Priority

#### Recommendation

*To help dispatch centres better respond to each patient's needs, the Ministry should expedite a decision on its choice of dispatch protocols.*

#### Current Status

At the time of our follow-up, the Ministry indicated that a medical review of the dispatch protocol, in use at most of the dispatch centres, was completed in 2006, and that an update to the protocol had been developed and is to be evaluated in 2007. According to the Ministry, the anticipated date of full implementation had yet to be determined because it will require the development and testing of software. As well, the Ministry noted that its evaluation of one internally used dispatch protocol was ongoing as part of the Niagara Ambulance Communication Service pilot project discussed below.

### Responsibility for Dispatch

#### Recommendation

*To help ensure that ambulance services are integrated, balanced, and efficient, the Ministry should expedite its evaluation of the pilot project, particularly with respect to the issue of municipal versus centralized dispatch, and incorporate best practices and research from other jurisdictions in its determination of the appropriate number, location, and management of ambulance dispatch centres.*

#### Current Status

At the time of our follow-up, the Ministry indicated that it had reached an agreement with the Niagara region on the pilot project evaluation methodology. The Ministry told us that it plans to use consultants to develop the project evaluation plan and criteria, as well as to conduct a comprehensive evaluation of the project on the basis of this plan and criteria.

The evaluation of the pilot project is expected to be complete by 2010. However, we saw no evidence that the Ministry would also be incorporating best practices and research from other jurisdictions in its determination of the appropriate number, location, and management of ambulance dispatch centres.

### Dispatch Staffing

We noted in our *2005 Annual Report* that recruiting and retaining staff at dispatch centres continued to be difficult and indicated we would follow up on the status of dispatcher turnover rates. At the time of our follow-up, the Ministry indicated that, while information on dispatcher turnover rates was not immediately available, it expected to complete an analysis of these rates for the 2006/07 fiscal year by fall 2007.

## REVIEWS

### Reviews of Land Ambulance Operators

#### Recommendation

*To better ensure that land ambulance service operators meet certification standards, the Ministry should:*

- *conduct, based on risk, a reasonable number of service reviews on an unannounced basis to increase assurance of consistent quality of practice by operators;*
- *where operators do not meet certification standards, conduct the required follow-up service reviews and inspections on a more timely basis; and*
- *clarify when Director's Orders should be issued and under what circumstances formal consideration of revoking an operator's certification should be undertaken.*

#### Current Status

At the time of our follow-up, the Ministry indicated that in its view, conducting unannounced

service reviews is not practical. The Ministry said service review teams can be quite large, and so the timing of the service review must be carefully co-ordinated to ensure that emergency services are not disrupted. Therefore, the Ministry indicated that, at the time of our follow-up, it continued to provide 90-days' notice to land ambulance service operators, in accordance with the Ministry's Land Ambulance Service Certification Standards. However, the Ministry indicated that, during 2006, it had conducted unannounced inspections at 13 operators to determine the operators' compliance with certain aspects of the *Ambulance Act*.

With respect to follow-up reviews, the Ministry stated that it was discussing the Service Review Standard with municipal representatives, to determine the reasonableness of conducting these reviews on a more timely basis. Consultations with municipal representatives were ongoing at the time of our follow-up.

The Ministry indicated that, at the time of our follow-up, each situation was unique and therefore senior ministry staff assess each ambulance service review on a case-by-case basis to determine if the need exists for a Director's Order or the revocation of an operator's certification. Consequently, the Ministry considers that further guidance and clarity on the circumstances that should lead to a Director's Order or a licence revocation are not necessary.

## Reviews of Dispatch Centres

### Recommendation

*To help ensure that land ambulance dispatch centres are effective and comply with ministry standards, the Ministry should:*

- *perform periodic reviews of the dispatch centres' operations, including a review of a sample of calls to determine whether they are appropriately handled and prioritized; and*

- *implement a standardized quality-assurance process to monitor and assess the overall operational performance of all dispatch centres and the individual performance of dispatchers.*

### Current Status

The Ministry indicated that routine reviews of dispatch centres, including reviews of call priority and management, commenced in summer 2006. At the time of our follow-up, five dispatch centres had been reviewed, and six others were scheduled for review during the 2007/08 fiscal year.

The Ministry also noted that a standardized quality-assurance process for monitoring overall operational performance of dispatch centres as well as the individual performance of dispatchers had been completed during the 2006/07 fiscal year. This included the training of reviewers. In addition, according to the Ministry, in April 2007 most dispatch centres started routinely monitoring key performance indicators.

## BASE HOSPITALS

### Recommendation

*To better ensure that paramedics provide quality patient care, the Ministry should determine the optimal number and distribution of base hospitals (since such hospitals train, certify, and provide medical direction to paramedics) and ensure that base hospitals adhere to consistent standards regarding areas such as quality assurance and the continuing medical education of paramedics.*

### Current Status

At the time of our follow-up, the Ministry stated that it was planning to reorganize the 21 base hospitals into six regional base hospitals in 2007. The regional base hospital for Toronto and Peel was designated to be the first of the six. The Ministry expected to issue a request for interest in late summer 2007 to select the other five regional base hospitals. The Ministry also told us that it



had conducted consultations with the current base hospitals and municipalities on aspects to include in a performance agreement between the Ministry and the regional base hospitals. According to the Ministry, this performance agreement is expected to help ensure that base hospitals adhere to consistent standards regarding areas such as quality assurance and the continuing medical education of paramedics.

## COMPLAINTS AND INCIDENTS

### Recommendation

*To help ensure that recurring potential problems are identified as early as possible, the Ministry and the municipalities should jointly develop and implement a process to ensure that the Ministry receives adequate information on the nature and resolution of the more serious complaints made about land ambulance services.*

### Current Status

According to the Ministry, a meeting held with municipal representatives to discuss this recommendation, as well as municipal training, resulted in improved municipal reporting and completeness of reporting of complaints. In addition, the Ministry indicated that, at the time of our follow-up, it was considering amendments to the Ambulance Service Documentation Standards in order to define more clearly which complaints must be sent to the

Ministry. As well, the Ministry told us that it was conducting an ongoing assessment of municipal compliance with the Ministry's Investigations Protocol for complaints.

## PERFORMANCE MEASUREMENT AND REPORTING

### Recommendation

*To help ensure that ambulance services are accountable and to support continuous improvement in services, the Ministry and municipalities should jointly establish pertinent performance measures such as response times and report publicly and regularly on these land ambulance service performance measures.*

### Current Status

At the time of our follow-up, performance measures were not being publicly reported. With respect to response times, as indicated earlier, the Ministry expects to make recommendations in the winter of 2008 on a new methodology for defining, measuring, and reporting response times; if approved, the methodology would be implemented over a three-year period. It was also considering advice from the previously mentioned Land Ambulance Committee on other performance measures. The Ministry told us that public reporting of performance measures would require government approval as well as legislative changes.

## Chapter 4

### Section 4.03

Ministry of Government Services

# Charitable Gaming

Follow-up to VFM Section 3.03, *2005 Annual Report*

## Background

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 \$1.4 billion on charitable gaming province-wide in the 2006/07 fiscal year (\$1.6 billion in the 2003 calendar year). While approximately 70% of the total wagered was paid out in prizes in 2006/07, the Commission estimated that thousands of local community charitable organizations received net revenues after prize payments and other expenses of about \$213 million (\$246 million in 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 8,000 businesses and individuals, and issues about 2,300 lottery licences, chiefly for province-wide or large-dollar events.

Fees from charitable gaming sources were approximately \$26 million in the 2006/07 fiscal year (\$30 million in 2004/05). The Commission

advised us that it spent approximately \$6 million on its charitable gaming-related regulatory activities in 2006/07.

The province has granted municipalities the authority to issue licences, and they issue about 56,000 licences annually for smaller local lottery events. This represents more than 95% of the charitable gaming licences issued in Ontario. In our *2005 Annual Report*, we noted that the Commission believed that it did not have the legislative authority to oversee municipal licensing activities and had not established any processes for doing so. However, we stated that we believed that the Commission's interpretation of its legislative authority was overly narrow. Without appropriate oversight of and co-ordination with municipalities' licensing activities, the Commission has no assurance that, for instance, charitable organizations are getting the gaming proceeds that they are entitled to.

In our *2005 Annual Report*, we also noted several areas in which the Commission-delivered regulatory activities required strengthening:

- While the Commission had 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 net 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.

We made a number of recommendations for improvement and, except for our recommendations pertaining to the need to oversee municipal licensing activities, we received commitments from the Commission that it would take action to address our concerns.

## Current Status of Recommendations

Information we obtained from the Commission indicated that good progress had been made in addressing most of our recommendations. However, with respect to our recommendation on the need for increased oversight of municipal licensing activities, more still needs to be done. Both our Office and the Standing Committee on Public Accounts have emphasized that such oversight is a key area for both the Ministry of Government Services and the Commission to address, and, while some action has been taken, more timely progress on this issue is needed. As well, our recommendations relating to the need for additional assurance over sales of break-open tickets have only been partially

addressed. The current status of action taken on each of our recommendations is as follows.

## OVERSIGHT OF MUNICIPAL GAMING

### Recommendation

*To fulfill its legislated responsibilities and ensure that charitable gaming in Ontario is effectively regulated, the Commission should work with municipalities to establish appropriate oversight and support for municipal licensing activities that includes:*

- *ensuring that the respective roles of the municipal councils and the Commission are clearly articulated and accepted to eliminate any gaps or duplication in regulating charitable gaming in Ontario;*
- *obtaining sufficient, relevant information from municipalities to allow meaningful assessment of the effectiveness of licensing activities province-wide;*
- *implementing procedures for sharing information and promoting best practices; and*
- *conducting ongoing assessments of the training and policies that it provides to municipalities and addressing any needs identified.*

### Current Status

The licensing framework and the limits of provincial and municipal licensing are prescribed under Order-in-Council. At the time of our follow-up, we were informed that the Ministry of Government Services (Ministry) had conducted a preliminary review of the Order-in-Council to evaluate the respective roles of the Commission and municipalities related to lottery licensing. According to the Ministry, an initial round of stakeholder consultations had been completed and it had consulted with the Ministry of Municipal Affairs and Housing, the Ministry of the Attorney General, and its own internal auditors to obtain advice on the authorities and roles of the Commission in the development of an appropriate oversight model. The Ministry expected to complete

the review and present recommendations to the Minister of Government Services by winter 2007.

The Commission conducted a survey during the summer of 2007 in co-operation with the Association of Municipal Managers, Clerks and Treasurers of Ontario (Association) that focused on issues related to governance and accountability structures at municipalities over their lottery licensing activities. The survey requested information regarding the processing of municipal lottery licences, oversight and general controls, and municipalities' level of satisfaction with the support they receive from the Commission. The survey also sought information on the types of problems that may exist and identified any potential gaps in accountability or governance that might impact the integrity of the system. The Commission advised us that the survey results were being reviewed by an independent third-party firm, with a final report expected in October 2007.

The results of the survey and final report were to be reviewed and appropriate changes to the charitable gaming Order-in-Council considered in conjunction with other changes and updates implemented through the Commission's Modernization of Charitable Gaming initiative, which was launched in December 2005.

At the time of our follow-up, the Commission was also reviewing the type of information it can and should receive from municipalities and the most efficient means of obtaining this information without placing any undue burden on municipalities. The Commission had several initiatives under way to provide it with additional information on charitable gaming activities across the province. In one initiative, the Commission was working with the Association on developing a protocol to govern its relationship with municipalities. We were informed at the time of our follow-up that specific areas that were to be explored at a meeting scheduled for July 2007 included:

- establishing clear roles and responsibilities for both regulatory bodies;
- developing two-way open communication and reporting of licensing activities, and co-ordinating investigation and enforcement activities;
- exploring information technology opportunities in delivering lottery licensing services; and
- developing tools for consistent reporting and sharing of data.

The Commission was anticipating that, once the protocol it was developing with the municipalities was adopted, the protocol would also provide a framework for promoting and sharing best practices.

In another initiative, the Commission was planning to introduce a new bingo revenue model, effective May 1, 2007, to govern events conducted at commercial bingo halls. Under the new model, the licensing and administration of bingo is to be a joint effort between municipalities and the province. As a result, the Commission is to have direct access to licensing and financial information for all licensed games conducted in Ontario bingo halls that pool their revenues, representing approximately 95% of the bingo industry in the province and 50% of break-open ticket sales. We were informed that six training sessions had been held across the province to provide information and training on the new bingo revenue model for municipalities, bingo hall owners, operators, and charity associations.

The Commission had also looked at an information technology solution to assist with information sharing. The Commission requested funding from Treasury Board to develop a central tracking system for break-open tickets that was intended to act as the cornerstone of an enterprise-wide information technology strategy. This strategy would have included a component that allowed for electronic transfer of information between the Commission and municipalities in order to facilitate

the sharing of information. On March 27, 2007, the Commission was informed that its request for funding was not approved and it therefore decided that this option was no longer viable.

The Commission informed us that it had implemented a more structured training program for municipalities to help them fulfill their lottery licensing responsibilities. The training program had also been standardized to ensure consistent training across the province, including the development of a CD with accompanying sample forms. The Commission was planning to contact each municipality annually to offer lottery licensing training. From 2005 until the time of our follow-up, the Commission had provided over 40 training sessions to more than 500 municipal representatives. The Commission had also developed a draft user-satisfaction survey to help assess the effectiveness of the training program and to identify any gaps in the type of support provided.

## COMMISSION-DELIVERED REGULATORY ACTIVITIES

### Registrations

#### Controls over Registration Process

##### Recommendation

*To help ensure that registrations of charitable gaming equipment and services suppliers and gaming assistants are granted only to those that meet high standards of honesty and integrity, the Commission should:*

- *enforce the requirement that registrants submit annual financial statements reviewed by a licensed public accountant;*
- *implement procedures for periodically verifying that registrants have complied with the terms and conditions of registration; and*
- *verify that the information provided by prospective registrants is legitimate and accurate.*

*In addition, the Commission should establish policies and procedures for ensuring that conflict-of-interest*

*situations are appropriately dealt with. It should also consider the benefits of requiring verification that, where applicable, prospective registrants' provincial tax status is in good standing.*

##### Current Status

The Commission informed us that, at the time of our follow-up, it was in the process of reviewing the overall regulatory structure for charitable gaming, including registration of suppliers and gaming assistants, standards for suppliers, terms of registration, and terms and conditions of licensing. According to the Commission, this review was taking place in the context of a fiscal environment in which charitable gaming is in decline. In addition, the Commission had initiated in September 2006 a broader internal review of its due diligence processes and procedures from the perspective of efficiency, effectiveness, and risk.

The Commission told us that it had reviewed the requirements for financial reporting and types of financial reports that registrants must submit. It identified the areas that pose the most risk to integrity, honesty, and the public interest, and changes needed to the terms and conditions of registration to reflect these considerations. An implementation plan had been developed and the changes were to be fully operational by May 1, 2007. As of April 2007, a new internal policy was implemented pertaining to the financial responsibility reviews of registrants that are conducted every two years. The new policy requires that businesses with gross annual sales greater than \$500,000 provide audited financial statements. Such statements may also be requested from businesses with lesser sales when concerns are raised over the registrant's finances.

With respect to our recommendation that the Commission conduct periodic checks to verify that charitable gaming registrants are complying with the terms of registration, the Commission informed us that it was considering all of its compliance procedures and policies over registrants in a broader context. Its internal review of its due diligence



procedures as they apply to each industry sector regulated by the Commission is expected to fully document the registration compliance measures already in place. This review process is to be used to identify further compliance measures that do not place an undue burden on registrants. These updated procedures were targeted for completion in December 2007.

Although the Commission informed us that it recognized the importance of properly verifying that the information provided by prospective gaming assistant registrants, such as bingo hall management staff and bingo number callers, is legitimate and accurate, it decided that the risk was minimal and did not implement our recommendation that photos and references be verified as part of the registration process, except in the case of problematic applicants.

In its internal Licensing and Registration Policy and Procedures Manual, the Commission developed procedures, dated December 2006, to assist staff in identifying and assessing possible conflicts of interest between gaming suppliers and licensees.

While we noted that provincial ministries often ensure that the tax status of their major suppliers is in good standing prior to making payments, the Commission is of the opinion that the *Gaming Control Act* does not currently provide it with the necessary authority to check the provincial tax status of gaming suppliers as part of the registration process.

### Verification of Registration

#### Recommendation

*The Commission should clearly communicate to municipalities the requirement to verify that charitable organizations seeking licences are using properly registered charitable gaming suppliers. It should also provide municipalities with up-to-date information—possibly through access to its registration database—for use in verifying the gaming suppliers' registration.*

#### Current Status

According to the Commission, during municipal training sessions it has reinforced the requirement that municipalities verify the use of properly registered suppliers. The Commission also advised us that it is not able to provide municipalities with the access to its registration database that would have enabled them to easily verify registration status because funding for its proposed enterprise-wide information technology strategy was not approved. Instead, the Commission continues to respond to municipalities' inquiries, including those pertaining to registrations, via telephone and email.

### Licensing Activities

#### Licensing Practices

##### Recommendation

*To help ensure that licences are granted only to legitimate charities, the Commission should more critically evaluate the eligibility of charitable organizations. In addition, to ensure that proceeds from lottery events are used for approved charitable purposes, it should:*

- *obtain and properly assess the required reports on lottery events; and*
- *issue renewal licences only if an organization has met the reporting requirements for all previous lottery events.*

#### Current Status

The Commission informed us that it had updated its internal policies and procedures to require that all core documents are obtained before licensing staff conduct an eligibility review. In addition, it had documented its procedures to ensure that required reports are received and properly assessed. In cases where further clarification is required, a red flag is put in the system and a letter sent to the licensee. According to the Commission, all the newly documented policies and procedures had been reinforced through staff training sessions to promote consistency in decision-making. The Commission told us that its new lottery licensing system,

scheduled to be completed in January 2008, will further enhance controls.

## Bingo Sponsor Associations

### Recommendation

*To help ensure that proceeds from provincially licensed bingo events are used for approved charitable purposes, the Commission should work with municipalities to establish procedures for verifying the charitable organizations' use of proceeds distributed through bingo sponsor associations.*

### Current Status

The Commission indicated that municipalities' responsibility to verify the use of proceeds distributed through bingo sponsor associations was reinforced during the municipal training sessions held in fall 2005 and continue to be highlighted as part of the new standardized training format. In addition, the revision of the Lottery Licensing Policy Manual, scheduled for fall 2007, is to include clarification of municipal responsibilities in this area.

Under the new bingo revenue model introduced in May 2007, all games are to be covered under the same licence and there will no longer be a distinction between municipal games and provincial games for revenue reporting and verification. Municipalities are to review the use of all proceeds as part of their role in administering the new bingo revenue model. All Hall Charities Associations (previously known as Bingo Sponsor Associations) are required to file a monthly report to the municipality and the Commission that identifies the revenues generated and the allocation of proceeds to each member charity. Each member charity must also file a monthly report to the municipality that identifies the amount of funds received from the association, expenses paid, how the net proceeds were used, and the balance of funds in the charity's trust account, if any. This allows the municipality to monitor the use of proceeds on an ongoing basis.

Each charity will also be required to file an annual report demonstrating compliance with the terms and conditions of the licence and a financial report summarizing the receipt and use of all lottery proceeds received.

## Controls over Break-open Tickets

### Recommendation

*To ensure that adequate controls exist over the production, distribution, and sale of break-open tickets, the Commission should:*

- *identify and implement key controls authorized by Management Board of Cabinet over manufacturers and ticket agents that would provide adequate assurances that they are complying with legislative requirements and the Commission's terms and conditions of registration;*
- *reconsider the need for an independent central distribution and warehousing supplier for break-open tickets; and*
- *establish procedures for periodically verifying the accuracy of reported break-open ticket sales.*

### Current Status

In our 2005 Annual Report, we noted that the Commission had not implemented several key controls over break-open tickets that were authorized by Management Board of Cabinet in 1997, as follows:

- No central ordering, warehousing, and distribution system had been established. Agents and some charitable organizations purchased tickets directly from manufacturers.
- No dedicated team of permanent staff had been established to negotiate and manage contracts with the private suppliers, and to monitor the performance and audit the functions contracted to the private sector.
- The Commission had not established procedures for monitoring break-open ticket production and sales, and had failed to obtain compliance reports and to conduct regular inspections of internal control procedures in

place at the then two print manufacturers and at the then approximately 50 ticket agents, who resell tickets on behalf of authorized charitable organizations to local ticket vendors.

At the time of our follow-up, the Commission told us that it had concluded that a central tracking system over the almost \$300 million sales of break-open tickets could be justified only as part of an integrated enterprise-wide information management system. As previously stated, the Commission's request for additional funding to implement a new system was not approved.

At the time of our follow-up, the Commission was still not inspecting nor auditing break-open ticket manufacturers and ticket agents unless there was a complaint, incident, or other information to prompt an inspection. As a requirement of continuing their registration, the three break open-ticket manufacturers provided the Commission in 2007 with compliance reports prepared by independent auditors showing they had met Commission-directed control objectives through the implementation of internal controls. However, the Commission still had no independent assurance on manufacturer-reported sales. We continue to believe that requesting that the manufacturers' auditors confirm the accuracy of reported break-open ticket sales would be a cost-effective solution to this issue.

In addition, a risk that has still not been adequately addressed is that break-open ticket vendors and agents are selling more tickets than are reported and are retaining the total ticket-sale proceeds instead of disbursing a portion of those proceeds to the charity holding the lottery licence.

We were informed that the Commission would be exploring additional measures over break-open ticket sales as part of its new mandate to regulate retailers that sell Ontario Lottery and Gaming Corporation lottery products. Furthermore, the Commission and Ministry advised us that the manner in which the break-open ticket industry is regulated is

specifically designed to mitigate risks to the integrity of break-open ticket sales and, in the Commission's opinion, there is no evidence of widespread fraud in the sector.

## Provincial Administration Fee

### Recommendation

*To ensure that the Commission has adequate assurance that the correct amounts of provincial administration fees are remitted by break-open ticket manufacturers, the Commission should request that the manufacturers provide independent audit assurance on their reported sales and fees payable. Alternatively, if this more cost-effective option is considered not feasible, independent audits by Commission staff should be conducted periodically.*

### Current Status

The Commission informed us that it now requires the three break-open ticket manufacturers to implement internal controls that have been independently audited and approved by the Commission. In addition, the Commission had incorporated a financial audit requirement into the terms and conditions of registration for break-open ticket manufacturers. Obtaining such assurances on the manufacturers' internal controls is a good initiative. However, to ensure that it is receiving all the fees it is entitled to, the Commission should still obtain assurance that sales as reported by each manufacturer are accurate, by, for example, comparing these amounts to the manufacturers' audited financial statements.

## Charitable Gaming Inspections and Enforcement

### Recommendation

*To be more effective in ensuring the integrity of charitable gaming, the Commission should develop and implement a formal strategy and policies for its inspection activities that include a risk-based*

*approach to target high-risk gaming equipment and services suppliers.*

*The Commission should also investigate the extent to which better education and additional enforcement measures are needed to achieve a high level of voluntary compliance with legislative requirements and with the terms and conditions of registration.*

*In addition, to improve inspection and enforcement activities at both the provincial and municipal levels, the Commission should work with municipalities on sharing information about the results of inspections and investigations.*

### **Current Status**

The Commission informed us that, at the time of our follow-up, it had developed the foundation for a corporation-wide risk-based enforcement strategy as part of a broader compliance strategy that encompasses activities related to prevention, communication, co-operation, enforcement, technology, and consultation. According to the Commission, the strategy focuses on regulations that apply to licensed charities and registered gaming suppliers, and on assisting municipalities with compliance issues related to the charitable gaming licences that they issue.

The first phase of the strategy, which establishes a risk profile for registrants through inspections, commenced in April 2006, but the Commission anticipated that it will take two years of inspections to gather benchmark data. In addition, new inspection policies and procedures were established in May 2007 for bingo halls and break-open ticket vendors, and there were approximately 950 inspections of break-open ticket sellers and 94 inspections of bingo facilities during the 2006/07 fiscal year—substantially more than were conducted at the time of our last audit.

At the time of our follow-up, the Commission was in the process of developing a Public Affairs function, which is to focus on enhancing communication with and training for licensees and registrants to promote voluntary compliance.

We were also informed that, to enhance the enforcement strategy, the Commission was in the process of considering whether monetary penalties should be imposed for minor offences. In this regard, in June 2007, the Commission received legislative authority, subject to the approval of the Minister of Government Services, to impose monetary penalties for contravention of acts administered by the Commission.

The Commission told us that new policies require that local municipal licensing offices be informed of the results of all inspections that identify issues, and of all investigations initiated based on complaints made by the municipality. The Commission expected that its new draft protocol on the respective roles and responsibilities of the Commission and municipalities, once approved, will help to develop two-way open communication and reporting of enforcement activities and to coordinate investigation and enforcement activities.

## **Information Technology Project**

### **Recommendation**

*To ensure value for money and comply with the Management Board of Cabinet's directives governing information technology projects and the use of consultants, the Commission should:*

- *provide decision-makers with a comprehensive business case before proceeding with the development of information technology projects;*
- *involve ministry internal auditors in the oversight of projects to verify that key controls over project management, system design, and the use of consultants are established and adhered to;*
- *require that project documentation be up to date and that reports to senior Commission management include relevant and accurate information on project status; and*
- *ensure that a valid written contract is in place with consultants before authorizing work, budgeted amounts are not exceeded without proper justification and approval, invoices are*

*scrutinized, and payments are made only after services are rendered.*

### Current Status

The Commission informed us that it has updated its policies and procedures to ensure that all current and future information technology projects comply with the Management Board Directive on Information and Information Technology, which was updated as of August 2006. A key requirement of the directive is that projects must follow the integrated project management methodology issued by the Ministry of Government Services' Project Management Centre of Excellence for ensuring a standardized project management approach by ministries and agencies.

In January 2006, the Commission engaged the Ministry's internal auditors to be involved in the development of its Lotteries Licensing System project, and the Commission told us that the Ministry's auditors would be involved in all such future projects.

An updated project charter and business plan were prepared for the Lotteries Licensing System project. At the time of our follow-up, the project was more than 50% complete, and the completion date was revised to January 2008, which is 16 months later than the revised project completion date we noted in our *2005 Annual Report*. We were informed that this resulted from the Commission increasing the scope of the project to include systems to administer the new bingo revenue model.

We noted that internal status reports for the project indicated that the costs for the project have not substantially changed. However, the Commission had not tracked and reported on the costs for internal staff resources applied to the project, as required for such projects, even though the project was being completed primarily through the use of internal staff. We were informed that the Commission was planning to track internal staff resources applied to information technology projects on future projects.

The Commission further advised us at the time of our follow-up that it was ensuring that the directive's requirements are fully followed when consultants are engaged.

## Measuring and Reporting on Program Effectiveness

### Recommendation

*To enable the Commission to report to legislators and the public on its effectiveness in regulating charitable gaming, the Commission should develop more comprehensive indicators for measuring and publicly reporting on its performance. The Commission should also consult with municipalities to regularly obtain meaningful information that would allow the Commission to also include municipalities' contribution to regulating charitable gaming activities in its results-based plans and annual reports.*

### Current Status

The Commission informed us that it had reviewed its performance measures and incorporated more meaningful measures into its 2006/07 business plan and 2006/07 Annual Report. The performance measures in its recent business plan pertaining directly or indirectly to charitable gaming included a rating on its customer-satisfaction level, whether all complaints have been investigated, and the extent to which licenses were issued within 30 days of receipt. However, a draft of the Commission's 2006/07 Annual Report for us to review was not yet available at the conclusion of our work.

The Commission also informed us that, in consultation with the Association of Municipal Managers, Clerks and Treasurers of Ontario, it will continue to provide available information on municipal licensing activities as part of its annual business plan and report. The new bingo revenue model introduced this year is also expected to facilitate the gathering and sharing of information available about bingo events conducted in Ontario.



## Chapter 4

### Section 4.04

Ministry of Children and Youth Services

# Child Care Activity

Follow-up to VFM Section 3.04, 2005 Annual Report

## Background

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. However, it is primarily the 47 consolidated municipal service managers (CMSMs) that manage and co-ordinate 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 2006/07 fiscal year, ministry child-care and Early Learning expenditures totalled \$703.7 million (\$575.4 million for the 2004/05 fiscal year). Total Activity costs for child care are shared between the Ministry and the municipalities on an 80:20 basis, with administration costs being shared equally between the two.

In 2005, 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. Our observations at that time included the following:

- Ontario had 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 provided little specific direction to individuals providing child care. What direction was provided was subject to broad interpretation and was sometimes missing critical updates.
- While the timeliness of licensing inspection had improved since our last audit, the tools used by ministry staff to assess program delivery required these staff to exercise a significant degree of discretion and interpretation. Many ministry staff responsible for licensing and monitoring program delivery did not have an early childhood education background or equivalent experience, and would therefore have benefited 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 were 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 nor did they ensure that they were adequately controlled.

Many of our observations and recommendations on funding issues in our *2005 Annual Report* were similar to those reported in 1999 and 1995. Although the Ministry had agreed to take corrective action in previous years, sufficient action had not been taken.

## Current Status of Recommendations

According to information obtained from the Ministry of Children and Youth Services, progress is being made in implementing our 2005 recommendations relating to program quality. However, with respect to our recommendations relating to program funding and reporting, while some action has been taken, considerably more needs to be done. The current status of action taken on each of our recommendations is as follows.

### PROGRAM QUALITY

#### Curriculum Development and Direction to Caregivers

##### Recommendation

*To encourage consistent quality in the delivery of child care in Ontario and to meet the Ministry's objectives of providing children with the best possible start in life,*

*the Ministry should develop a child-care curriculum framework and implement more detailed and helpful guidance to assist child-care staff in providing consistently high quality developmental learning opportunities.*

##### Current Status

The Ministry had established a Best Start Expert Panel on Early Learning, made up of professionals from the early childhood education and the formal education sectors in Ontario. This panel is part of the Ministry's Best Start Plan, which was launched in 2004 as Ontario's strategy to give all of Ontario's young children and families access to high-quality, evidence-informed early learning experiences. The goal of the plan is to enhance the early learning and healthy development of the province's children to prepare them to achieve success in school by the time they start grade 1.

The panel completed research and background work and developed a child-care curriculum framework for which provincial organizations and advisory groups provided feedback in fall 2006. A final report, which included recommendations, titled *Early Learning for Every Child Today: A framework for Ontario's early childhood settings*, was published in December 2006. This report is a guide to support curriculum development in Ontario's early childhood settings.

We were informed that the Minister had met with the expert panel to discuss the report and its many recommendations. Although the panel's recommendations had not been implemented at the time of our follow-up, the Ministry advised us that it was developing an engagement strategy to build support for the importance of *Early Learning for Every Child Today*.

#### Child-care Staff Qualifications and Training

##### Recommendation

*To help ensure that child-care services provided in Ontario are of high quality, the Ministry should:*

- assess, approve, and appropriately document that all child-care centre supervisors have the prerequisite early childhood education qualifications and work experience;
- consider the advisability of establishing minimum educational requirements and/or work experience for any other caregiver staff without early childhood education or equivalent qualifications; and
- develop guidance for the ongoing professional development of child-care centre staff.

### Current Status

As we noted in our 2005 Annual Report, the Director at each ministry regional office is required to assess and approve the qualifications of each centre's supervisor in writing, and a copy of that letter is to be placed in the licensing file for that centre. In December 2005, regional offices were directed to review their procedures for these approvals, and in June 2006, regional offices were asked to review 5% of the files to ensure that supervisors had the required qualifications and experience working in a child-care centre and that documentation was on file to support the determination.

The regional offices reported on the results of the review in December 2006. Their reports indicated that all regional offices had procedures in place for approving district care centre supervisors, and most files reviewed contained the required Director's approval. Around the same time, the checklist used by the Ministry when conducting formal licensing inspections of child-care centres and agencies was revised to include a review of procedures and files as part of the annual licensing process.

As part of the Ministry's Best Start Plan, an Expert Panel on Quality and Human Resources published a report in March 2007, titled *Investing in Quality: Policies, Practitioners, Programs and Parents*. This report, which the Ministry has received and endorsed, establishes a target time frame of sometime in the 2008/09 fiscal year to have

province-wide quality standards for early learning and care programs, including recommendations on establishing educational requirements for caregivers.

The Ontario government also recently passed legislation to create a regulatory College of Early Childhood Educators that is to establish consistent professional standards for Ontario's early childhood educators and help ensure that children who attend early learning and care programs in Ontario are being cared for by qualified professionals.

## Licensing and Inspections

### Recommendation

*To improve the effectiveness of the annual licensing inspection and help assess the quality of the services provided by licensed child-care centres, the Ministry should ensure that:*

- the timing of annual licensing inspections is less predictable;
- the nature and extent of the work conducted during the annual licensing inspections is sufficient to assess the quality of services, and this work is adequately documented; and
- the annual licensing inspections are conducted by qualified staff possessing either a formal early childhood education degree or diploma or equivalent qualifications and experience.

### Current Status

We noted that annual licensing inspections were generally completed on time prior to the expiry of the license of each child-care centre or agency. However, at the time of our follow-up, the Ministry had not acted on our recommendation to ensure that the timing of inspections be less predictable, indicating that its priority was to complete the inspections on time.

The Ministry has made some improvements in conducting and documenting the annual licensing inspections since the time of our last audit. For example, checklists have been revised to include

assessing compliance with new legislation such as the *Safe Drinking Water Act, 2002* and the *Smoke-Free Ontario Act*, as well as with new policies such as those for nutritional requirements and communicable-disease reporting. However, evaluation of program quality was still not being specifically addressed because the current inspections are intended to ensure that service providers meet only the minimum requirements set out in the *Day Nurseries Act*.

We also found that there had not been a change in the qualification requirements of the licensing staff. Ministry staff responsible for the licensing function were still not required to have, and in many cases did not have, formal early childhood education qualifications, although the Ministry will continue to provide them with applicable training and support.

## Serious Occurrences

### Recommendation

*In accordance with its own policy, the Ministry should ensure that:*

- *all serious occurrences at child-care centres are reported within the required 24-hour deadline; and*
- *serious-occurrence follow-up reports are received and reviewed and, where applicable, the corrective action to be taken is approved on a timely basis.*

### Current Status

Since the time of our 2005 audit, regional offices have been directed to review their serious-occurrence reporting procedures and to undertake spot checks as part of the 2006 licensing inspections. As well, at the time of our follow-up, the Ministry had a pilot project with a service provider under way whereby a licensed child-care provider can report directly to the Ministry through a web link, thus facilitating more timely reporting.

We reviewed a sample of serious-occurrence reports and found that the Ministry generally received and reviewed them, and approved whatever corrective action was necessary, on a timely basis.

## FUNDING

### Recommendation

*To promote greater consistency and fairness in the determination of eligibility for the province's child-care fee subsidy, the Ministry should:*

- *ensure that any variances in allowable expenditure limits for applicants being assessed are reasonable and clearly attributable to local conditions; and*
- *conduct the required annual fee-subsidy-file reviews in accordance with the Ministry's policy to ensure that only eligible applicants are being subsidized and that the subsidy has been correctly calculated.*

### Current Status

The Ministry implemented a new fee-subsidy model in January 2007, which is income-based, as opposed to needs-based as in the past. This new approach resolves our concerns regarding variances in allowable expenditure limits for applicants being assessed for fee-subsidy eligibility.

We reviewed a sample of fee-subsidy files under the new fee-subsidy model and found that only eligible recipients received subsidies and that the subsidies provided were correctly determined.

## Waiting Lists

### Recommendation

*The Ministry should collect information on the number of children waiting for subsidized child-care spaces in each jurisdiction in order to more effectively assess service pressures and to help it more fairly distribute both ministry funding and the significant additional funding expected from the federal government.*

### Current Status

The Ministry had not acted on our recommendation regarding using fee-subsidy wait lists to help it decide how to distribute funding. However, it indicated that consolidated municipal service managers would be required to develop policies relating to fee-subsidy wait lists by January 1, 2008.

## Wage Subsidy

### Allocation of Funding

#### Recommendation

*To help ensure the equitable distribution of wage-subsidy funding among child-care providers in Ontario, the Ministry should review the objectives and design of the wage-subsidy program so that funding allocations are based on assessed needs rather than on historical allocations.*

### Current Status

To address this recommendation and to make funding to child-care providers needs-based, a new Wage Subsidy Guideline was issued in May 2006, requiring child-care providers to apply for subsidies on the basis of staffing costs and the number of children in care.

We reviewed a sample of wage subsidies granted under the new guideline and found that service providers were applying for these subsidies using the new formula as required. However, we also found that the amounts of wage subsidies being granted were still being based on historically funded amounts.

### Monitoring of Subsidy Funding

#### Recommendation

*To assess that wage-subsidy funds for child-care workers are spent in accordance with program requirements, the Ministry should implement adequate oversight procedures.*

### Current Status

Regional offices were directed in December 2005 to review 5% of their consolidated municipal service managers' (CMSMs') wage-subsidy files. Although these reviews were generally completed, the resultant documentation did not adequately indicate whether wage-subsidy grants were spent in compliance with program requirements.

In addition, as was the case at the time of our audit in 2005, CMSMs did not certify to the Ministry that the required wage-subsidy reports, which are intended to indicate how wage-subsidy grants were actually spent, were received from their service providers. As a result, the Ministry's oversight of the wage-subsidy program continues to be limited.

We were advised that, in the 2006/07 and 2007/08 fiscal years, wage improvement funds were provided to all CMSMs and district social services administration boards. We reviewed this funding at one CMSM for 2006/07 and found that, instead of being used for staff wage subsidies, the funding was used for parent fee subsidies, which that CMSM considered to be a higher priority.

## Submission and Approval of Budgets

### Recommendation

*To ensure that agencies providing child-care services receive funding based on the relative need for subsidized child care in each municipality, the Ministry should:*

- *require that consolidated municipal service managers (CMSMs) report information that is sufficiently detailed and relevant to the Ministry's funding decisions;*
- *critically assess CMSMs' budget requests to ensure that approved funding amounts are commensurate with the value of the services to be provided by the delivery agencies; and*
- *review and approve budget requests on a more timely basis.*



### Current Status

In an attempt to help ensure that funding provided to agencies is based on relative need, the Ministry had revised the information that agencies were expected to submit and had developed new revenue and expenditure worksheets that were expected to be completed as part of the annual budgeting process for the 2006/07 and later fiscal years. However, as of the time of our follow-up, the Ministry's changes to the annual budgeting process had not yet effectively addressed our recommendations because:

- Over half of the agencies reviewed had not provided information with respect to the revised service data elements and had not completed the expected revenue and expenditure worksheets;
- There continued to be a lack of evidence that budget submissions received were reviewed; and
- Many agencies continued to receive their final budget approval after the end of the fiscal year to which it related.

We were advised by the Ministry that, in 2007/08, it would be providing more training to program and finance staff on the budget submission process that would focus on controllership activities, due diligence, and accountability.

### Quarterly Reporting

#### Recommendation

*To facilitate the assessment of performance against agreed-upon targets for funding provided to consolidated municipal service managers (CMSMs) for the provision of child-care services, the Ministry should ensure that:*

- *quarterly reports by CMSMs are received and reviewed by the required due date; and*
- *all significant variances between what was budgeted and what was spent have been satisfactorily explained and any required corrective action identified.*

### Current Status

We reviewed the quarterly reporting process and found that most quarterly reports continue to be received late, some by over six months. Although regional offices were directed to apply sanctions where reports are not received on a timely basis, we noted that the sanctions were often not applied.

The Ministry has automated the process of analyzing the quarterly reports and has developed a standardized electronic package that flags significant variances and requires an explanation and action plan. The flagging of the significant variances appeared to be working, but in the majority of cases we reviewed, the explanations and actions plans had either not been provided or had not been provided in sufficient detail.

### Annual Program Expenditure Reconciliation

#### Recommendation

*To more effectively identify funding surpluses and inappropriate or ineligible expenditures, the Ministry should ensure that the audited financial statements accompanying the Annual Program Expenditure Reconciliations (APERs) are sufficiently detailed to permit the identification of specific child-care-related expenditures and the reconciliation of the financial statement to the APER-reported actual expenditures.*

#### Current Status

A new APER template was designed for 2005/06; service providers were requested to complete and send in the new template along with their APER submission. According to the Ministry, the template was designed to provide it with more detailed expenditure information and required that total revenues and expenditures on the template agree with information in the audited financial statements. However, at the time of our follow-up, completion of the template was optional and many service providers were not submitting it.

In addition, the consolidated financial statements continued to lack the necessary detail to identify

ineligible or inappropriate expenditures as well as program surpluses.

At the time of our follow-up, the Ministry was continuing to work toward making revisions to the APER process in an attempt to address our audit concerns and was drafting some changes for the 2007/08 fiscal year, such as developing a new chart of accounts to provide more detailed information.

## MANAGEMENT INFORMATION SYSTEM

### Recommendation

*The Ministry should ensure that the information captured in its Service Management Information System (SMIS) for child-care services is sufficiently detailed to enable it to make informed funding decisions and to subsequently identify significant actual-to-budget variances.*

### Current Status

The consolidated municipal service managers (CMSMs) use the Ontario Child Care Management System (OCCMS) to manage the child-care system at the individual CMSM level. Upgrades to OCCMS are made on a regular basis. Work is under way on an OCCMS upgrade that will link consolidated municipal service managers/district social services administration boards with the Ministry's Service Management Information System, enabling the Ministry to directly access child-care system data. Owing to the complex changes in OCCMS required for the new data elements and the applicant income tests, the target for direct access to child-care system data by the Ministry at the time of our follow-up was fall 2007.

## Chapter 4

### Section 4.05

Ministry of Transportation

# Driver and Vehicle Private Issuing Network

Follow-up to VFM Section 3.05, *2005 Annual Report*

## Background

The Road User Safety Division (Division) of the Ministry of Transportation (Ministry) is responsible for providing readily accessible products and services related to driver and vehicle licensing. The most significant channel for delivering these products and services is the Private Issuing Network (PIN), which consists of 280 privately operated “issuer” offices across the province. PIN offices process about 80% of Ontario’s vehicle registrations and 40% of its driver’s licences, for a total of almost 19 million transactions a year. In the 2006/07 fiscal year, the PIN collected more than \$975 million in revenues (\$766 million in 2004/05) on behalf of the government.

In our *2005 Annual Report*, we noted that the Ministry and the government view the PIN as a strategic asset of significant value for delivering front-line government services. However, several factors had contributed to a deterioration of relations between the Ministry and the PIN over the last several years. Some of our more significant observations in this regard, and with respect to the quality of services delivered to the public, included the following:

- Compensation rates paid to private issuers had not increased since 1997, and many low-volume issuers appeared to be struggling to survive.
- Ministry policies and procedures were applied inconsistently across the PIN, primarily because almost 90% of issuers were operating under an older contract that did not require adherence to certain customer- and security-focused requirements of a newer contract, which governed a small minority of issuers.
- Issuers requiring help from the Ministry’s call centres often encountered delays, and we noted that call-centre operators were unavailable to handle calls about 40% of the time.
- The government estimated that by 2006, between 45% and 77% of all plate-renewal transactions would be handled over the Internet, although as of 2004 fewer than one-fifth of 1% were processed that way. However, it costs more to process the same transaction on the Internet than through an issuer because Internet transactions are not integrated with the licensing systems.
- There had been a significant decrease in the number of annual full audits of issuing offices, as well as weaknesses in system and supervisory controls. As a result, the Ministry:

- was inadequately managing the risk that some issuers might, for example, manipulate transactions to generate additional commissions or issue fraudulent driver's licences; and
- could not ensure that temporary driver's licences and other official stock was not disappearing or being diverted for illegal purposes.

Controls to ensure that licensed drivers actually had vehicle insurance and that only eligible drivers obtained Accessible Parking Permits (formerly called Disabled Person Parking Permits) were also weak.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

The Ministry of Transportation (Ministry) advised us as of March 2007 on the current status of actions it had taken to address each of our recommendations. In May 2007, it furnished further details of its ServiceOntario initiative for providing front-line government services and information. On the basis of the supporting documentation supplied by the Ministry, we are satisfied that it has taken some action on each of our recommendations. For the most part, the Ministry has implemented system changes or other processes that fully or at least partially address our concerns and has made substantial progress on several key recommendations. One significant change since our audit has been the transfer of responsibility for the private issuing offices to ServiceOntario, which the government envisions as the one-window retail face for government services. The status of actions taken on each of our recommendations is described below.

## QUALITY OF SERVICE

### Systemic Concerns

#### Compensation

##### Recommendation

*In order to ensure that the Private Issuing Network remains stable and that customer service levels are maintained, the Ministry should, as part of the process of negotiating a new province-wide agreement with private issuers, conduct a review of its compensation arrangements.*

##### Current Status

At the time of our audit, private issuers were paid a time-based commission for each transaction, plus an annual stipend. The Ministry told us it had tested a new compensation model with a flat per-transaction fee at five trial locations in early 2006. However, none of the test sites was able to meet the Ministry's criteria for winning a full 10-year contract and, accordingly, no contracts were awarded under this model. However, the Ministry incorporated what it learned from this exercise into a review of private-issuer compensation and subsequently introduced a new compensation strategy in November 2006 that:

- increased the base commission rate paid to issuers by 5%, from \$0.5575 per minute to \$0.5854 per minute, retroactive to October 1, 2006; and
- provided an annual "top-up" to a maximum of \$20,000 (or \$10,000 for the half-year in 2006), based on the previous calendar year's commissions, to support the viability of smaller rural and remote issuers.

#### Contractual Agreements

##### Recommendation

*To ensure that policies, procedures, and the public's service expectations for processing driver and vehicle transactions are applied consistently and effectively*

across the province, the Ministry should work with private issuers to develop a new agreement acceptable to both parties. The new agreement should be reflective of the current roles, responsibilities, and expectations of both the Ministry and private issuers.

### Current Status

In its response to our 2005 Annual Report, the Ministry acknowledged the importance of a consistent contract across the entire PIN, but pointed out that its current contractual obligations made it difficult to move all issuers unilaterally to one type of contract.

The Ministry has committed to providing the PIN with a single source of information on its requirements and expectations. It informed us that it was working with ServiceOntario to develop a service-delivery strategy to guide future PIN contract discussions, and was developing an operations manual that would provide a comprehensive source of key terms and conditions that all issuers will be required to follow.

In May 2007, the Ministry further advised us that the government had launched an initiative to transfer its major driver and vehicle licensing products and services to ServiceOntario effective July 2, 2007. The government envisions ServiceOntario as the retail face of the province. It currently delivers, on behalf of several ministries, such services as processing of applications for birth, marriage, and death certificates; processing of applications for Ontario retail-sales-tax vendor permits; setting up employer health tax and Workplace Safety and Insurance Board accounts; fish and wildlife services, information, and sales; on-line services for people searching electronically for government information; and business-name registrations and renewals. As part of the transfer, responsibility for management of all current and future private-issuer contracts was also being moved from the Ministry of Transportation to the Ministry of Government Services, which is responsible for ServiceOntario operations.

## Ministry-Issuer Relations

### Recommendation

*To ensure an effective long-term partnership with the Private Issuing Network (PIN), particularly given the PIN's potential role in enhancing front-line government services, the Ministry should develop a formal strategy to improve this partnership.*

### Current Status

In its response to our 2005 Annual Report, the Ministry committed to strengthening its partnership with the Ontario Motor Vehicle Licence Issuers Association (Association) and the PIN through enhanced dialogue and business improvements. At that time, it reported taking steps in this regard by establishing two joint committees with the Association—one meeting monthly to examine operational issues affecting the daily operations of issuers, and another meeting quarterly to examine strategic, long-term business initiatives to improve the PIN. However, we noted that the Association informed the Ministry in May 2006 that it was withdrawing from both committees because of the lack of response (at that time) to its compensation concerns. At a July 2006 meeting between the Ministry and the Association, it was agreed that the two committees would remain in abeyance and that negotiations regarding a new contract should be suspended until the future of the PIN and ServiceOntario had been clarified. We noted that, possibly because of the new compensation arrangements put in place in late 2006, committee work resumed in early 2007.

The Ministry also said it believes the additional compensation arrangements mentioned above had improved its relationship with the PIN. The Ministry further reported that it had developed training sessions on strengthening business integrity and customer-fraud awareness for the PIN and had delivered them during 2005 and 2006. With the transfer of PIN operations to ServiceOntario, the Ministry of Government Services now has the responsibility for improving this partnership.



## Customer Concerns

### Recommendation

*To help it improve service to the public in a cost-effective manner, the Ministry should:*

- *consider giving additional terminals to those private issuing offices whose transaction volumes are significantly higher than the Ministry's standard;*
- *consider redistributing terminals from offices whose transaction volumes are significantly below the Ministry's standard; and*
- *evaluate the usage of ServiceOntario kiosks to determine if kiosks that are least used would be better located in higher-traffic areas.*

### Current Status

The Ministry informed us that it has revised its criteria and standards for approving PIN requests for additional terminals to improve customer service, and it provided documentation outlining the new approval mechanism. The new process incorporates a consideration of waiting times into the analysis, along with a standard for the maximum transactions per year per terminal. However, the Ministry emphasized that there are no specific benchmarks that would automatically trigger a terminal reallocation or addition. The Ministry's ultimate decision with respect to terminal allocations is based on its knowledge of the issuing office, the types of transactions typically conducted there, the efficiency of the issuer, and whether a new issuing office may be required rather than additional terminals in an existing office.

The Ministry further reported that it had identified issuing offices that had requested either additional terminals or the removal of excess terminals, and had initiated a process for redistributing the Ministry's inventory of existing terminals. Documentation provided to us in March 2007 indicated that, to date, three new terminals had been installed and two more installations had been approved.

With respect to self-serve kiosks, the Ministry reported that since our audit, it had moved three of the machines to locations with higher customer populations. Responsibility for the management of kiosk contracts was transferred to ServiceOntario effective April 1, 2006, and ServiceOntario is now responsible for monitoring the kiosk network for both performance and customer service.

## The Internet as a Service Alternative

### Recommendation

*To help ensure that its services are delivered cost-effectively and that the public receives such services in as convenient a manner as possible, the Ministry should:*

- *fully integrate its Internet service with its driver- and vehicle-licensing system and expand and promote its use; and*
- *develop strategies for ensuring that the Private Issuing Network remains viable as Internet usage increases.*

### Current Status

As part of the transfer of responsibilities to ServiceOntario, the Ministry and ServiceOntario have worked together to allow five of the Ministry's more frequent transactions to be done over the Internet through the ServiceOntario website. These transactions include the purchase of plate validation renewal stickers, used-vehicle information packages, personalized licence plates, driver abstracts, and vehicle abstracts. The ServiceOntario website is also now advertised on the Ministry's Vehicle Licence Renewal application form, which is distributed to all vehicle owners either every year or every two years.

The Ministry further reported that the recent compensation increases had made the PIN better able to remain viable.

## Call Centre

### Recommendation

To help the Private Issuing Network provide better service to customers, the Ministry of Transportation should:

- help reduce the extent to which issuers rely on the call centre by tracking the most common concerns or questions raised and developing procedures to train issuers on these matters; and
- ensure that, when the call centre is used, call-centre operators are properly trained and consistently available to take calls.

### Current Status

In October 2005, the Ministry implemented new procedures to track and monitor matters of importance to issuers using the call centre. The Ministry provided us with samples of management reports generated under these procedures, and informed us that it is using this process and these reports to identify and resolve recurring problems and to highlight areas that need strengthening. It also said it had incorporated lessons learned from this process into its 2006 PIN training plan.

The Ministry further reported that it had revised its call-centre training procedures so that experienced operators now train their new colleagues during a two-week orientation period. On-line tutorials and a reference library are also now available to all operators, and a new training manual was developed that, according to the Ministry, is regularly updated to reflect changes in procedures. Specific training sessions in the areas of driver and vehicle transactions were developed and delivered in late 2005. In March 2006, a financial-transaction training module was delivered, and another was added in February 2007 on registration policies and procedures for branded vehicles (vehicles that have been significantly damaged and classified as irreparable, salvage, or rebuilt).

The Ministry originally reported that as of March 2007 call levels remain stable, with 80%

of them being answered within two minutes—a significant improvement since the time of our audit two years ago. However, it further reported that by September 2007 call volumes had increased, leading to an increase in waiting times. ServiceOntario has developed an action plan to address the issue and has seen improvements.

## COMPLIANCE WITH REGULATIONS AND REQUIREMENTS

### Audit Activity

#### Recommendation

To ensure that the Ministry adequately monitors the Private Issuing Network (PIN) for effective controls over such items as cash and stock and over such processes as revenue collection and to ensure that service is maintained without disruption, the Ministry should:

- increase the number of complete audits it conducts annually; and
- better co-ordinate the activities of the four groups involved in PIN monitoring.

#### Current Status

In its summer 2005 response to our report, the Ministry cited a significant increase in its auditing and oversight presence. The Ministry said it had conducted 21 head-office audits and 49 on-site audits, along with 11 full audits since March 2005. This compared with 20 full audits over all of the previous two years. Seven of the 11 full audits were in offices with high transaction volumes. The Ministry further reported that it had successfully completed a pilot of a redesigned and enhanced risk-based audit methodology and that it would implement the new methodology province-wide in early 2006. It also reported transferring 11 staff from head office to the field to strengthen audit operations.

In its March 2007 status update, the Ministry informed us that it had developed a new audit procedure and process manual, hired a new audit

supervisor, and launched a new Audit Oversight Unit on April 1, 2006. This unit consolidated into one office all the disparate review and oversight processes then in existence. A total of 146 audits were completed for the year ended March 31, 2007, and audits were initiated in all private issuing offices by conducting at least one site visit to each office. The audit plan calls for the entire PIN to be audited completely by December 2008.

## Risk Management

### Recommendation

*To reduce the risk of staff and customers of the Private Issuing Network engaging in improper, non-compliant, and/or fraudulent activities with respect to driver and vehicle products and services, the Ministry of Transportation should:*

- *produce and follow up on exception reports pertaining to the Licensing and Control System;*
- *enhance its controls over stock;*
- *follow up on a timely basis on discrepancies identified when reconciling issuer revenue with deposits; and*
- *expedite the recovery of funds from NSF cheques and consider cross-referencing its vehicle registration system with its driver-licensing system.*

### Current Status

The Ministry reported that, effective March 2005, it had begun producing new exception reports that flag possible anomalies in the areas of:

- driver-fee adjustments, including the reason for any adjustments keyed in manually by operators;
- multiple data changes to a single record; and
- unauthorized access to information.

In its March 2007 status report, the Ministry said it had further enhanced these reports to allow for a more timely identification of possible non-compliant or fraudulent activity. Review and follow-ups of any non-compliant activity were also incorporated into the enhanced audit process.

With respect to stock management, the Ministry issued a memorandum to all PIN offices in December 2005 advising them of new stock-reconciliation procedures and reminding them of the importance of proper stock management. The Ministry further reported that it has since made other improvements to the way it controls stock. These include the tracking of some 9.5 million stock items in a new database and the establishment of an electronic link between the stock and licensing-control systems to allow for real-time stock-status confirmation. According to the Ministry, it now immediately records notifications of missing or stolen stock in the new database. The computer system then blocks any attempts to issue documents that used this missing or stolen stock. In October 2006, PIN management received a memorandum advising them of these changes and providing guidance for dealing with stock transactions under the new system.

The Ministry informed us that it had followed up on the discrepancies identified in the reconciliation of issuer revenues and deposits and had improved the automated reconciliation system to ensure the integrity of data loaded into the system from both the banks and the licensing control system. This allows for more timely identification and resolution of actual deposit discrepancies.

The Ministry also informed us that it is conducting ongoing analysis and reporting of missing or stolen stock. However, security appears to be a continuing problem; documentation supplied to us along with the Ministry's March 2007 status update indicates that since our audit report, there have been seven more break-ins at PIN offices where both stock and transaction documentation were stolen. To address this situation, the Ministry has increased security requirements by mandating that issuers store all stock and all documentation containing personal information in a locked and secure area away from public access.

The Ministry stopped accepting personal cheques from consumers using PIN offices on January 1, 2005, when our audit was in progress, and it reported that the number of NSF cheques has dropped substantially since then. The Ministry reported that, in an effort to reduce further, or even eliminate, the number of NSF cheques, it had completed a preliminary analysis of the current policy of accepting personal cheques from certain businesses and expected to implement a revised cheque-acceptance policy for those businesses by March 2008. After that, further analysis will be conducted on cheques from other clients.

The Ministry reported that our recommendation to consider cross-referencing its vehicle registration system with its driver-licensing system was currently under review.

## SELECTION OF NEW PRIVATE ISSUERS

### Recommendation

*To ensure that only competent and qualified bidders selected via a fair and equitable competitive process are awarded contracts to manage issuing offices, the Ministry should:*

- *review its policies and procedures to ensure that they can be applied in a consistent and effective manner; and*
- *ensure that the in-person presentation and interview portion of the selection process does not give repeat applicants an unfair advantage.*

*The Ministry should also expedite the appointment of interim issuers and selection of new issuers to minimize disruptions to customer service.*

### Current Status

The Ministry said it had completed a review of the entire process for selecting new private issuers to find ways to streamline it and make it more efficient, and to mitigate the risk of repeat applicants having an unfair advantage over first-time applicants. A revised and streamlined procurement process for small issuing offices was piloted-tested.

The revised evaluation process included an interview requiring proponents to make a presentation on their business plan instead of responding to a series of questions. In addition, the Ministry developed a tool to help proponents understand the critical elements required in a business-case proposal.

The Ministry of Government Services (MGS) is implementing interim service-delivery solutions to ensure that communities continue to have access to service when an issuing office closes while MGS works toward an over-arching in-person service-delivery network.

## PERFORMANCE MEASUREMENT

### Recommendation

*To improve both its current methods of assessing issuer performance and public satisfaction with services received, the Ministry should:*

- *consider a different method of administering customer surveys that would ensure that all customers have an equal opportunity to participate; and*
- *summarize customer comments regularly to identify the most common concerns, share this information throughout the entire Private Issuing Network, and develop strategies to address these concerns.*

### Current Status

The Ministry informed us that in June 2005 it enhanced its monthly reporting on data from customer comment cards and investigated methods for using these data better to address customer concerns. After further research, the Ministry concluded that the cards were ineffective for assessing performance or customer satisfaction because they did not provide statistically representative information. The Ministry has therefore decided to stop using data from customer comment cards to identify common PIN-wide concerns. Rather, the cards will now be used only to help resolve specific customer complaints and identify concerns at an

individual office level. The Ministry informed us that it would analyze customer comment cards quarterly for this purpose.

In February 2007, the Ministry completed a review of various survey distribution methods to ensure that all customers have an equal opportunity to participate in any ministry assessment of customer satisfaction. However, no new survey was being contemplated at the time of the Ministry's status update. The Ministry's current plans for improving customer service include the development of a customer-service pamphlet to help the private issuing offices that have customer-service problems. The pamphlet will describe industry-proven best practices for providing good service, along with links to customer-relationship-management websites.

## OTHER MATTER

### Recommendation

*To improve both road safety and the effectiveness of its driver and vehicle transactions, the Ministry should develop strategies for verifying both:*

- *insurance information on licence-renewal applications; and*
- *medical information on Disabled Person Parking Permit applications.*

### Current Status

The Ministry has informed us that it is currently negotiating the implementation of an agreement with the Insurance Bureau of Canada (Bureau) to facilitate the verification of insurance information. While the delivery strategy under this agreement still needs to be refined, one specific aim would be to allow the Ministry to automatically consult the Bureau's database on-line to verify vehicle insurance whenever a vehicle permit is renewed.

With respect to medical information on applications for a Disabled Person Parking Permit (now called Accessible Parking Permit), the Ministry indicated in 2005 that it would initiate discussions with the medical community to improve its verification procedures. It also said it was taking steps to prevent misuse, including limiting medical practitioners to certifying only those applications that fall within the scope of their practice. It also planned to introduce a more secure, tamper-resistant permit to prevent counterfeiting and misuse.

The Ministry said further that it would introduce other procedural changes, including tightening of the current eligibility criteria, to ensure that only those persons with measurable and observable mobility impairments receive a permit. It also planned to implement improved business processes to expedite application processing and enhance data management.

In its March 2007 status report, the Ministry confirmed the completion of the steps above. It further informed us that it was randomly verifying 35% of Accessible Parking Permit applications to ensure that the health practitioner was a member of an acceptable medical college. The Ministry also negotiated and implemented an agreement with the Office of the Registrar General for ongoing access to death records, enabling the Ministry to identify deceased permit holders more quickly.

The Ministry indicated that, although it had consulted with the Ontario Medical Association (OMA) in an effort to improve verification procedures, the OMA had expressed concern that verification would be too resource-intensive. It also stated that no other government agency required additional verification of health practitioners. Accordingly, no additional verification procedures have as yet been implemented. Discussions with the medical colleges are continuing.



## Chapter 4

### Section 4.06

Ministry of Transportation

# Driver Licensing

Follow-up to VFM Section 3.06, *2005 Annual Report*

## Background

The Ministry of Transportation's (Ministry's) 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 2006/07 fiscal year, the Ministry spent \$165 million on its Road User Safety Program (\$173 million in 2004/05), while its licensing and registration activities generated approximately \$975 million in government revenues (\$766 million in 2004/05). Over 4.7 million driver's licenses are issued or renewed every year. To carry out its licensing and registration activities, the Ministry has contracted with about 280 private issuing offices that provide driver's licence and vehicle licence renewal and related services.

In our *2005 Annual Report*, we concluded that the Ministry needed to strengthen its systems and procedures if it was to ensure that only legitimate and safe drivers were 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 had 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, membership cards for wholesale warehouse clubs and employee or student cards without photos were being accepted as one of the two required identification documents.
- Improvements were needed to ensure that only individuals entitled to an Ontario driver's licence had 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 appeared to have been successful in contributing to road safety, we found deficiencies in ministry 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 had been suspended many times, and young offenders who should have received lifetime suspensions.
- 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 for cases where prospective and existing employees of driver examination service providers had criminal records.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

On the basis of information provided by the Ministry of Transportation, we concluded that the Ministry has taken some action on all of our recommendations and has made significant progress on several. For the most part, either system changes had been implemented to address our concerns fully or partially, or implementation was under way. One ongoing area of concern that affects all of North America is that of drivers who continue to drive with suspended licences: at the time of our follow-up, the Ministry was still at the research stage in developing effective mitigation strategies for such drivers. The status of actions taken on each recommendation is described below.

### DRIVER'S LICENCE APPLICATION

#### Identification Documents and Duplicate Driver's Licences

##### Recommendation

*To better ensure that the personal identity of every driver's licence applicant is authentic, the Ministry should:*

- *review the list of acceptable identification documents and consider removing documents that are of questionable reliability;*
- *develop additional guidance to assist in the validation of identification documents commonly presented by driver's licence applicants; and*
- *expand the scope of the contender check to minimize the risk of issuing duplicate driver's licences.*

##### Current Status

Effective January 2006, the Ministry revised its list of acceptable identification documents needed to prove the three key elements of identity: legal name, date of birth, and signature. According to the Ministry, the new list is consistent with the identification documents that the American Association of Motor Vehicle Administrators considers reliable and verifiable, and the new ministry policy with respect to these documents makes it clear that expired documents are not acceptable, and that original documents—rather than photocopies or certified copies—must be provided. Private membership cards from such issuers as retailers or fitness clubs, government employee cards, and debit cards are no longer acceptable. A public news release was issued to educate the public on the new requirements, the ministry website was updated, and information posters were placed at driver examination centres.

To help issuers improve procedures for validating identification documents presented by driver's licence applicants, the Ministry issued a number of new memoranda and question-and-answer sheets.

As one step in improving its contender check process, the Ministry completed a review of its policy and amended the driver's licence application form to include an inquiry regarding any Ontario driver's licence issued to the applicant under a different name. It also provided issuers with a guideline containing scripted questions to help clerks conduct an interview when two or more similar driver's licence records are encountered.

The Ministry also reviewed the feasibility of installing identity-document-authentication devices (document readers) in issuer offices to assist further in document validation. However, the Ministry concluded that would be costly, would introduce a number of operational and customer service concerns, and would provide only marginal benefits.

With respect to direct confirmation of identification documents with issuing authorities, the Ministry completed a review of options for expanding this program and is encouraging the Government of Canada to establish the infrastructure required for connectivity between provincial and national issuing agencies. The Ministry considers the lack of this infrastructure to be a significant barrier to verification at source.

## Out-of-province Licence Exchange

### Recommendation

*To ensure that only authorized and capable drivers with out-of-province licences obtain an Ontario driver's licence, the Ministry should:*

- *comply with existing exchange agreements and expand the scope of its out-of-province licence exchange program to include the sharing of serious conviction records with more jurisdictions;*
- *consider requesting proof of successful road test completion before approving a licence exchange for applicants who have failed multiple road tests in Ontario; and*
- *ensure that driver examination centre management complies with ministry policy and reviews all out-of-province licence exchange applications before an Ontario driver's licence is issued.*

### Current Status

The Ministry informed us that, at the time of our follow-up, preliminary analysis had been completed regarding the possible exchange of serious-conviction information where that was not already

taking place. In this regard, it is working with the Canadian Council of Motor Transport Administrators to develop a Canadian Driver Licence Agreement that would encompass the exchange of conviction information. While the proposed agreement had been drafted at the time of our follow-up, the timeline for signing it had not been determined.

To ensure that existing exchange agreements are complied with, the Ministry has also provided issuers with a number of updated policies and guidelines that are intended to clarify procedures for dealing with driver's licence applications from out-of-country applicants and applicants licensed in a jurisdiction that does not have a reciprocal agreement with Ontario.

With respect to requesting proof of successful road test completion for applicants who have failed multiple road tests in Ontario, the Ministry informed us that it considered this recommendation but decided not to implement it. The Ministry reiterated its position that it recognizes an out-of-province licence as proof of successful completion of written and road tests, that most Canadian and many U.S. jurisdictions have graduated driver's licences, and that current exchange agreements provide reasonable assurance that only equivalent classes of licence will be exchanged. For example, any novice drivers with less than 24 months' experience exchanging a licence from a reciprocating jurisdiction would first need to pass Ontario's G2 exit test to qualify for a full G licence.

In late 2005, the Ministry also issued a bulletin to all driver examination centres clarifying its policy and reminding issuers that centre supervisors need to approve all out-of-province and out-of-country driver's licence exchanges.

## ROAD USER SAFETY

### Recommendation

*To help improve the Ministry's ability to assess the effectiveness of its road user safety efforts, the*

*Ministry should expand and enhance its performance measures for road user safety.*

### Current Status

According to the Ministry, in fall 2006, it conducted a review of its corporate performance measures. At the conclusion of this exercise, the Ministry decided that, in keeping with Treasury Board directions to provide only key measures for corporate performance purposes, its annual business plan submission for the 2007/08 fiscal year would provide only seven such measures. Six of these pertained to ministry activities unrelated to the road user safety program, such as highway and bridge maintenance, winter storm clearance, highway congestion, and GO Transit ridership. The only road user safety measure selected for corporate reporting continued to be the number of fatalities per 10,000 licensed drivers. The Ministry informed us that new measures will be considered as part of the 2008/09 planning cycle.

The Ministry also informed us that, in addition to the corporate performance measures discussed above, it uses a number of internal measures to help management track performance and results. At the time of our follow-up, some of the road user safety measures being tracked were the involvement of senior drivers over 80 years of age in fatal collisions, drivers between the ages of 16 and 19 years killed or seriously injured in collisions, and fatalities and injuries owing to improper use of seat belts and car seats. However, the Ministry has acknowledged the need to develop additional internal performance measurement tools and has launched an initiative to develop a number of business effectiveness measures to improve the management and reporting of its various operational areas. What these measures will actually be and how they will be used in practice was still under development at the time of our follow-up.

## Demerit-point System

### Recommendation

*To help achieve its objective of promoting safe driver behaviour, the Ministry should:*

- *ensure that it appropriately and promptly assesses drivers who have accumulated excessive demerit points;*
- *provide guidelines and training to driver improvement counsellors that would improve consistency in the assessment of drivers who have accumulated excessive demerit points and monitor counsellors in their implementation of the guidelines;*
- *measure the effectiveness of replacing immediate suspensions with less severe remedial action imposed by driver-improvement counsellors;*
- *enhance the Driver System to maintain detailed remedial-action records and automatically suspend drivers when required;*
- *analyze the effectiveness of available defensive-driving and driver-improvement courses and provide counsellors with a list of acceptable ones; and*
- *minimize the use of questionnaires, and follow up on outstanding questionnaires in a timely manner.*

### Current Status

The Ministry informed us that, by fall 2005, it had reduced the backlog of interviews with drivers who had excessive demerit points. The backlog, consisting of interviews that were scheduled beyond the Ministry's target of 90 days, had been reduced from some 3,000, at the time of our audit, to 1,077. It subsequently provided additional resources to its regions for conducting group interviews for drivers with similar conviction profiles in order to deal further with this backlog and achieve its 90-day performance target. As of September 2007, the Ministry reported that, of the more than 3,800 drivers awaiting demerit-point interviews, the number that will not be conducted within 90 days was down

to 389. It plans to have the backlog eliminated by February 2008.

With respect to the training of driver improvement counsellors, the Ministry conducted two focus group discussions with driver improvement counsellors in fall 2006, and provided 10 days of training to this group in early 2007. As part of this training, it provided additional guidance materials to help counsellors improve the consistency of their decisions, and informed us that monitoring procedures have been put in place to help ensure that counsellors make decisions in accordance with these guidelines.

With respect to our recommendation to measure the effectiveness of replacing immediate suspensions with less severe remedial actions, the Ministry informed us that it intends to conduct an effectiveness review of the demerit-point program to determine, among other things, whether a certain number of demerit points is the correct trigger to use in applying specific sanctions. The Ministry has completed a jurisdictional scan confirming that demerit-point systems are a widely used type of sanction. As part of a modernization initiative, the Ministry will be reviewing its sanctions and interventions, and it is anticipated that a study of the effectiveness of its demerit-point system may become part of that initiative.

The Ministry also informed us that, as a result of its assessment of costs and benefits, it will not be implementing our recommendation to enhance the Driver System to maintain detailed remedial-action records and automatically suspend drivers when required. The Ministry estimated the system-enhancement costs to be more than \$250,000 for this project. Since only approximately 200 suspensions annually would be affected by this enhancement, the Ministry decided it would not be cost-effective to implement. The Ministry indicated that it would continue to manually update remedial actions and manually suspend drivers as required.

In early 2007, the Ministry completed the development of guidelines for driver improvement and defensive driving courses, and was planning to provide a list of courses that meet these guidelines to driver-improvement counsellors by the end of the year.

The Ministry also informed us that, as of the time of our follow-up, it had begun monitoring the use of the demerit-point questionnaires to ensure that they are being used only for out-of-province drivers where an interview could not take place, or as an alternative when the driver improvement counsellors are unavailable because of unplanned absences.

## High-risk Drivers

### Recommendation

*To help reduce the risk of motor vehicle collisions, the Ministry should:*

- *as per ministry policy, identify and re-examine all drivers who, in the past two years, have had three or more collisions, of which at least two, including the last one, involve improper driver behaviour; and*
- *identify and consider, in consultation with stakeholders in the enforcement community, additional remedial action or sanctions for high-risk drivers not currently targeted under a ministry program, such as individuals who drive while under suspension or who are suspended multiple times.*

### Current Status

With respect to our recommendation regarding drivers with three or more collisions in the past two years, the Ministry informed us that it has revised its policy to specify that re-examinations are to be required on the basis of two or more court convictions rather than on any lesser threshold, such as a finding by an investigating police officer of improper driver behaviour. The Ministry's view is that being identified as "at fault" in a police report,



or even being charged for an offence, does not provide the same standard of proof as a conviction, and that a conviction is the best objective determinant of improper driving behaviour and the best identifier of drivers who are most likely to be a threat to other road users.

The Ministry provided us with details of legislative changes, effective March 2006, that increased sanctions for some high-risk drivers. For example, under these changes, fines for speeding 30–34 kilometres per hour over the limit have increased from \$4.50 per kilometre to \$7.00 per kilometre, and offenders who repeatedly speed 50 kilometres per hour or more over the limit can have their licences suspended for longer periods. Anyone caught with a speed-measuring warning device can also be penalized with three additional demerit points.

The Ministry also outlined for us its recent legislative and regulatory changes to deal with other high-risk drivers, such as young drivers, drinking drivers, and aggressive or reckless drivers. For example, legislation took effect in June 2006 to provide the same penalties for drinking and boating as for drinking and driving, and new regulations effective September 2007 allow, among other things, for seven-day license suspensions and immediate roadside vehicle impoundments for street racing or stunt driving.

While the above efforts all work to improve road safety, work is ongoing on ministry efforts to effectively address those who drive while their licence is under suspension—a specific problem group addressed by our 2005 recommendation. Drivers who drive while unlicensed, either because their licence has been suspended or revoked, or because they have never been licensed to drive, are considered throughout North America to be a significant safety problem that appears to be reaching epidemic proportions, particularly in the United States. As indicated in the Ministry's response included in our *2005 Annual Report*, in 2004, the Access Enforcement Solutions (AES) was introduced, which linked

the OPP and certain municipal police agencies to ministry databases, providing faster police access to information on Ontario drivers and vehicles. The AES helps enforcement officers to identify suspended drivers and stolen vehicles more quickly, allowing them to remove unsafe drivers and unsafe or stolen vehicles from the road.

At the time of our follow-up, the Ministry was continuing to work with the American Association of Motor Vehicle Administrators (AAMVA) in efforts to research and develop a comprehensive strategy to address these drivers. One AAMVA research report indicated that about 20% of highway fatalities in the U.S. involve a driver whose licence has been suspended or revoked, and 28% of the drivers in this group had received three or more suspensions or revocations in the three years before their crashes. Another study estimated that from 30% to 70% of those who have had their driving privileges withdrawn continue to drive. While some of the causal factors underlying this problem differ in Canada, there is little doubt that we have similar compliance issues.

## Senior Drivers

### Recommendation

*To help ensure that only safe drivers retain their driving privileges, the Ministry should reassess the age and medical requirements for renewal of senior drivers' licences, taking into consideration the practices of other provinces, and update its group education session materials.*

### Current Status

The Ministry updated its group education session materials for seniors and put them into use in summer 2005.

With respect to medical requirements for seniors, the Ministry advised us that, as of the time of our follow-up, there were no validated, evidence-based tests of cognitive abilities that would indicate at-risk driving performance for seniors. However,

the Ministry indicated that it is supportive of efforts to develop such tests, and is accordingly participating in a federal initiative known as CanDrive (Canadian Driving Research Initiative for Vehicular Safety in the Elderly) that is working to develop screening tools that would allow doctors, other health professionals, and possibly licensing staff, to identify older persons with health-related conditions that could make them unsafe to drive. A key ministry contribution to this project is the provision of its driver and collision data.

## Young Offenders

### Recommendation

*To ensure that the required legislative sanctions are applied consistently to all drivers, the Ministry should develop an automated database that maintains complete young-offender driver records.*

### Current Status

In its response included in our *2005 Annual Report*, the Ministry indicated that, in spring 2006, it would establish an automated system for both storage and tracking of young-offender records. The Ministry has since informed us that the new automated system has been implemented, and staff were trained in its use. The Ministry provided us with documentation on this new system, including a detailed presentation of the new processes in place for handling its young-offender records.

## DRIVER'S LICENCE CARDS

### Recommendation

*To safeguard the driver's licence cards and the personal information stored within them, the Ministry should consider including additional technological security features as part of its licence card redesign project.*

### Current Status

The Ministry agreed with our recommendation, and informed us that, in January 2007, it received Management Board approval to proceed with the development of a new, more secure driver's licence card. The contract was awarded in February 2007, and, at the time of our follow-up, the Ministry expected the new card, which is to incorporate security features designed to exceed the Driver's Licence/Identification Security Framework established by the AAMVA, to be available by December 2007.

## DRIVER RECORDS

### Personal Information, Operating Records, Licensing Services, and Medical Reports

### Recommendation

*To ensure the accuracy and completeness of drivers' personal information and operating records, the Ministry should:*

- *improve the validation procedures of the Driver System to ensure that complete names and addresses are on file for all drivers in accordance with ministry policy;*
- *co-ordinate with the Ontario Registrar General to obtain regular updates on deceased persons so that their driver's licences can be cancelled on a timely basis;*
- *review the process for attributing convictions to the responsible drivers to ensure that all convictions are recorded in driver records on a timely basis;*
- *review the Driver System's computerized demerit-point calculation process to ensure that drivers are suspended according to regulation;*
- *consider implementing a reconciliation process to ensure that appropriate documentation is on file to support all driver-licensing transactions;*

- *assess the feasibility of an automatic system interface to update driver records based on medical review results; and*
- *ensure that private issuing offices properly submit all documents required for assessing drivers' medical conditions.*

### Current Status

Although the Ministry acknowledged, at the time of our follow-up, that some driver records do not contain complete name and address records, it told us that it believes that system enhancements put in place prior to our 2005 audit should rectify this problem over time. Specifically, new validation procedures were put in place in 2002 that require new and updated driver records to include a full registrant name and address. Accordingly, the remaining records with incomplete information should be brought up to date as these drivers renew their licences. The Ministry indicated that it intends to monitor adherence to this process to ensure that the remaining incomplete records are updated appropriately, and has communicated with service providers, reminding them of the requirement to ensure complete and accurate data entry.

With respect to our recommendation to coordinate with the Ontario Registrar General to obtain regular updates on deceased persons, in December 2006, the Ministry entered into a data-sharing agreement with the Deputy Registrar General for this purpose. At the time of our follow-up, the Ministry informed us that it was receiving these regular death updates and was using them to automatically update its database and cancel driver's licences.

With respect to the Ministry's process for attributing convictions to the responsible drivers, the Ministry indicated that errors in the incoming data are a contributing factor in preventing the timely updating of drivers' records, and that it was therefore continuing to work with the Ministry of the Attorney General, the police, and the courts to

help improve the accuracy of all conviction data it receives. It informed us that it has made some progress in this area, such as the automatic update of commercial carrier records for convictions associated with commercial vehicles, and a new program developed to help identify, fix, and track conviction errors received from the Ministry of the Attorney General.

The Ministry informed us that, as of the time of our follow-up, it had corrected the demerit point calculation errors we noted in our *2005 Annual Report*, and that it was monitoring the database monthly to ensure that it remains accurate.

According to the Ministry, to improve its reconciliation process, it developed new training materials on reconciling its documents, and has incorporated them in its Private Issuer's Network (PIN) training program, and updated its PIN monitoring activities to include audit review of this area. It has also developed and distributed a reference guide to help the PIN staff quickly determine the appropriate documentation required for each type of transaction processed.

The Ministry informed us that, to improve the updating of driver records based on medical review results, it has established an electronic link between the medical imaging system and the driver system to validate that driver records have been appropriately updated with any suspension or reinstatement information before a medical review file is closed.

With respect to helping to ensure that private issuing offices properly submit all documents required for assessing medical conditions, the Ministry informed us that this was being addressed by the new risk-based audit process established in conjunction with the new oversight and audit office created in early 2006. According to the Ministry, the new audit process was designed to enable the Ministry to better monitor PIN compliance with policies and procedures, including those that relate to the submission of documentation.

## Protection of Driver Records

### Recommendation

*To help ensure that confidential information in the Driver System is adequately protected against unauthorized access and data tampering, the Ministry should:*

- *establish guidelines and procedures to ensure that the driver examination service provider conducts appropriate security checks before hiring staff who will have access to confidential driver records;*
- *explore cryptography and other approaches to securing confidential data transmitted over the wide-area network;*
- *restrict and segregate security administration duties so that individuals are not assigned excessive system rights; and*
- *implement regular system access reviews and more rigorous controls over user accounts and profiles.*

### Current Status

At the time of our follow-up, the Ministry informed us that, to ensure that the driver examination service provider conducts appropriate security checks

before hiring staff, it now requires the service provider to certify every three months that all required security checks and criminal record information for all new employees is complete and on file.

In response to our recommendation to explore cryptography and other approaches to securing confidential data transmissions, the Ministry informed us that it plans to deploy a new encryption solution for securing driver data transmitted over the government's wide-area network. It intends to have the new system in all private issuing offices and driver examination centres by March 2008.

The Ministry informed us that, to improve security administration and access controls, it has completed a review of system access rights and, where possible, segregated the duties and responsibilities of security administrators from system users. It also reported having implemented regular system access reviews and more rigorous controls over user accounts and profiles. According to the Ministry, security violation reports have been reformatted to facilitate improved monitoring, and audit procedures have been introduced for following up on violations flagged in these reports.

## Chapter 4

### Section 4.07

Ministry of Education

# English as a Second Language and English Literacy Development

Follow-up to VFM Section 3.07, *2005 Annual Report*

## Background

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.

In 2006/07, the Ministry provided school boards with \$219 million in ESL and ELD grants (\$225 million in 2004/05). In our *2005 Annual Report*, we noted that 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 in 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 had 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 had resulted in inconsistent practices. In addition, the lack of documentation on accommodations 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 stated 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.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

According to information obtained from the Ministry of Education, progress has been made in addressing all of our recommendations, with significant progress being made on several. Recent

provincial testing results indicate that the achievement gap between English language learners and other students is narrowing. However, it will take a number of years of monitoring outcomes for English language learners before the full impact of actions taken and under way can be determined. The current status of action taken on each recommendation is as follows.

### TEACHER TRAINING AND INSTRUCTIONAL AIDS

#### Recommendation

*To help ensure that English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) students benefit from appropriate instructional practices and aids, the Ministry should:*

- *work with school boards to determine and provide the minimum training that teachers require to work effectively in schools with significant numbers of ESL/ELD students; and*
- *co-ordinate the evaluation of, and where necessary the development of, courses for teachers, and instructional aids such as exemplars and ESL/ELD educational software.*

#### Current Status

The Ministry informed us that it had developed a policy for kindergarten to grade 12 (K–12) that specifies the knowledge and skill sets that teachers in schools with English language learners must have, as well as the Ministry's expectations and requirements of school boards with respect to the delivery of programs and services to support English language learners. In late 2006, the Ministry held meetings with over 350 educators to discuss the implementation of the draft policy. The policy was also reviewed with over 50 education stakeholders to ensure that it meets current needs and can be successfully implemented. Implementation of the policy was scheduled to begin in September 2007, and a provincial symposium to support implementation was scheduled for December 2007.

The Ministry also advised us that the policy and a new resource—*Many Roots, Many Voices: Supporting English language learners in every classroom—A practical guide for Ontario educators*—were used to develop training materials that provide direction on how to best meet the needs of English language learners. In spring 2007, training was provided during the discussions on the implementation of the policy and through two publicly available webcasts titled Teaching and Learning in Multilingual Ontario and Differentiated Instruction. The Ministry also indicated that it had been making presentations at educational conferences and meetings.

According to the Ministry, over 1,000 educators had received training by the above means, and teachers had indicated that they found the *Many Roots, Many Voices* guide readable and helpful. At the time of our follow-up, the Ministry was planning to train an additional 10,000 educators—including 8,000 teachers-in-training—by mid-2008.

With respect to instructional aids such as exemplars (that is, models or standards) and software, the Ministry indicated the following:

- It was identifying existing resources and would define resource needs to ensure that the most effective resources would be developed.
- A revised ESL/ELD curriculum for grades 9 to 12 had been released for implementation beginning in September 2007.
- Two additional resources were being developed, to be titled *Supporting English Language Learners in Kindergarten* and *Supporting English Language Learners with Limited Prior Schooling*. Implementation and training for their use was scheduled to begin in fall 2007.
- An assessment tool and guideline titled *Steps to English Proficiency (STEP)* had been developed. *STEP* is to provide the required information for setting benchmarks for assessing English proficiency. *STEP* was piloted in a select number of boards across the province

in winter 2007, and final revisions were made on the basis of the feedback from the pilot. A two-year validation process for *STEP* was to begin in fall 2007; following the validation and an analysis of the research component of the validation, revisions are to be made to *STEP* before it is distributed to the system beginning in the 2009/10 school year.

## MONITORING STUDENT PROGRESS

### Initial Assessments

#### Recommendation

*The Ministry should determine whether the benefits of teachers having a clear starting point from which to monitor progress are sufficient to justify the cost of more thoroughly assessing the first-language literacy and academic standing of new English-as-a-Second-Language and English-Literacy-Development students.*

#### Current Status

The Ministry advised us that it had determined that the overall benefits of teachers having a clear starting point from which to monitor progress does justify thoroughly assessing first-language literacy and academic standing. At the time of our follow-up, the Ministry had conducted research on best practices and procedures for such assessment, including benchmarks, indicators, and standards. The results of this research were used to inform the development of the K–12 policy implemented in schools beginning September 2007. The documents consulted and prepared by the Ministry as part of its research included:

- a 2005 report by the University of Ottawa Faculty of Education research team titled *Emergent Themes in ESL Learning, Literacy and Curriculum Reform*, which confirmed the value of initially assessing English language learners;

- a December 2005 report prepared within the Ministry titled *Praxis Revisited: Second language learning in Ontario's elementary school system*, which includes research on the assessment of first-language proficiency, English language proficiency, and academic standing;
- a May 2005 ministry report on the initial ESL/ELD consultation, which includes information on the value of initially assessing English language learners; and
- a February 2006 report prepared within the Ministry titled *English language learners benchmark project*, which focuses on ways in which to improve successful outcomes for English language learners, a primary one being initially assessing their English language proficiency.

The Ministry also highlighted major themes that arose in implementation discussions with 384 educators across the province from October 11 through November 2, 2006.

## Ongoing Assessments

### Recommendation

*To help ensure that decisions about the types and amount of services and supports provided to English-as-a-Second-Language and English-Literacy-Development students are based on proper monitoring of their progress, the Ministry should develop tools that teachers can use to periodically measure students' English proficiency and benchmarks against which they can compare each student's progress.*

### Current Status

The Ministry indicated that it had developed *Steps to English Proficiency (STEP)*, which includes scales for assessing and tracking the development of English language proficiency among English language learners. *STEP* includes monitoring tools, assessment materials to support those tools, and guidelines for initial and ongoing assessment. The validation of *STEP* will enable the Ministry to establish benchmarks for developing English language

proficiency, which will include recommended timelines for moving from one step to the next in the *STEP* program and which will identify appropriate points for participation in Education Quality and Accountability Office tests.

## Documenting Monitoring Activities

### Recommendation

*To help ensure that Ontario Student Records (Records) contain the information required to enable the next year's teachers to assess the needs of English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) students so that the appropriate level of assistance can be provided, the Ministry should:*

- *require that schools file summaries of monitoring activities regarding the progress of ESL/ELD students in acquiring English in the Records;*
- *and*
- *clarify what it expects in the monitoring of students' social integration.*

### Current Status

The Ministry indicated that it had developed a K–12 policy for English language learners with respect to ESL and ELD programs and services, which includes direction for monitoring and tracking student progress and filing the results in the students' Ontario Student Records.

The policy sets out requirements for monitoring, tracking, and recording student progress for kindergarten to grade 12. In support of this policy, the Ministry had begun work to determine what data should be collected for more effective monitoring and tracking. In addition, the Ministry was planning to provide selected schools with the *STEP* tool for validation beginning in fall 2007.

The Ministry indicated that, as a result of discussions within the Ministry and with stakeholders, the policy removed the expectation that schools will monitor social integration. The Ministry also indicated, however, that it will be able to identify issues relating to social integration through the

analysis of the data collected and information provided through Board Improvement Plans and/or Student Success/Learning to 18 Action Plans.

## When to Discontinue Services

### Recommendation

*To help ensure that services to English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) students are not discontinued prematurely, the Ministry should establish measurable English-proficiency standards that ESL/ELD students must attain before boards can discontinue ESL/ELD services to them.*

### Current Status

The new K–12 policy states that “English language learners should receive ESL/ELD program support until they have acquired the level of proficiency required to learn effectively in English with no ESL/ELD support.” The Ministry indicated that the decision to discontinue ESL/ELD support is made by the principal in consultation with the student, the parents, and ESL/ELD and classroom teachers. The Ministry also indicated that the resources *Supporting English Language Learners in Kindergarten* and *Supporting English Language Learners with Limited Prior Schooling*, both of which were to be available in fall 2007, as well as the revised *Grades 1–8 Resource Guide* (expected to be available in September 2008) and the revised grades 9–12 ESL and ELD curriculum (which was available to schools in September 2007), would also provide guidance on the appropriate time to discontinue programs and services.

## Reporting on Student Performance

### Recommendation

*To help ensure that the progress of English-as-a-Second-Language and English-Literacy-Development students is properly reported, the Ministry should work with school boards to ensure that report cards include information on the extent, if any, to which*

*curriculum expectations have been modified and the types of accommodations students received.*

### Current Status

The Ministry indicated that its K–12 policy contains revised reporting expectations, clarifying that when learning expectations are modified for English language learners, evaluation will be based on the documented modified expectations, and this will be noted on the report card and explained to parents. The Ministry also indicated that it was working with school boards to identify potential changes to the report-card format that will ensure more effective reporting to parents.

## ASSESSING PROGRAM PERFORMANCE

### Recommendation

*To help ensure that the Ministry and school boards can identify which English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) services and supports are the most effective and economical in meeting student needs, the Ministry should:*

- *require that school boards collect and report the information necessary to relate student progress and outcomes to the type, amount, and cost of the ESL/ELD services and supports they received;*
- *co-ordinate and facilitate efforts to identify and promote best practices, and evaluate the need for, and benefits of, additional services and supports; and*
- *monitor the outcomes for ESL/ELD students, such as graduation rates and progress after graduation.*

### Current Status

The Ministry indicated that its English language learner policy requires that school boards collect and report the information necessary to relate student progress and outcomes to ESL/ELD services and supports. The Ministry also indicated that, in addition, the policy is to:

- provide criteria for identifying English language learners;
- describe procedures for data collection to enable the Ministry to track these students as a group and analyze their progress relative to various program delivery models; and
- provide feedback to school boards on the most effective programs and approaches at various stages of development of English language proficiency.

Research done as of the time of our follow-up had identified a number of best practices that were already reflected in policy, resources, and training. Research is to continue to be a component of all resource development and professional training.

With respect to evaluating the need for, and benefits of, additional services and supports, the Ministry advised us that discussions with school boards on the implementation of the K–12 policy (which began in September 2006) had identified potential additional needs and that the analysis of School Improvement Plans and Student Success/Learning to 18 Action Plans would provide the Ministry with information as to whether or not additional services and supports are required.

At the time of our follow-up, the following steps had been taken to help ensure that student outcomes were being monitored:

- The Ministry's K–12 policy now includes requirements for monitoring the outcomes of English language learners.
- The Ministry had begun work with the Ontario School Information System (OnSIS) to determine data-collection needs and facilitate collection of data that will support effective monitoring of outcomes.
- The English language learner team was continuously reviewing other ministry initiatives to identify opportunities to improve the monitoring of outcomes.

The Ministry advised us that members of its English language learner team were helping the Ministry develop strategies for monitoring student

outcomes and were participating in ministry outcome-monitoring initiatives such as OnSIS, the analysis of Education Quality and Accountability Office data undertaken by the Literacy and Numeracy Secretariat, and the analysis of Board Improvement Plans and/or Student Success/Learning to 18 Action Plans.

## ENSURING QUALITY PROGRAM DELIVERY BY SCHOOLS

### Recommendation

*To help ensure that schools appropriately deliver services for English-as-a-Second-Language and English-Literacy-Development students, the Ministry should require that boards establish quality-assurance processes that review and assess each school's compliance with ministry and board policies.*

### Current Status

The Ministry indicated it would require that school boards establish quality-assurance processes as recommended. The Ministry's K–12 policy for English language learners addresses quality assurance through requirements for board reporting on the delivery of ESL/ELD programs and services. An analysis of information provided through Board Improvement Plans and Student Success/Learning to 18 Action Plans, along with data collected through the *STEP* validation and ongoing discussions with school boards, will enable the Ministry to measure student improvement, identify successes, and evaluate school and board compliance with policy requirements.

## MEETING MID-YEAR AND REFUGEE STUDENT NEEDS

### Recommendation

*To help ensure that English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) programs address the needs of all ESL/ELD students, the Ministry should:*



- assess the benefits to students who arrive late in the school year or semester of programs that provide intensive training in English until the beginning of the next term or semester; and
- consider working with Citizenship and Immigration Canada to develop more effective programs for high-needs refugee students.

### Current Status

At the time of our follow-up, the Ministry indicated that it had undertaken a number of initiatives to address the needs of mid-year and refugee students, including:

- developing policy in this regard that is supported by research on the needs of refugee students, discussions with educational partners and relevant immigration authorities, and the *STEP* tool, which includes the appropriate training of teachers;
- developing and distributing the document *Many Roots, Many Voices*, with training of an initial 650 teachers to begin the dissemination of information on strategies to support English language learners, including mid-year and refugee students (an additional 5,000 teacher candidates were scheduled to be trained by fall 2008);
- consulting Ontario's Ministry of Citizenship and Immigration with plans for joint initiatives to provide social and educational support for English language learners who are refugees;
- working with Citizenship and Immigration Canada staff to identify potential areas for collaboration and to share information that will support the social integration and school success of English language learners, including those who are refugees; and
- developing and training to support the 2007 release of *Supporting English Language Learners with Limited Prior Schooling*, which

directly addresses the needs of refugee students.

## FUNDING AND ACCOUNTABILITY

### Recommendation

To better ensure that both the amount and the allocation of English-as-a-Second-Language (ESL) and English-Literacy-Development (ELD) funding is appropriate and commensurate with students' needs, the Ministry should:

- determine whether funding, instead of treating all students in each board similarly, should take into account the percentage of high-needs students in a board;
- review the grant for Canadian-born English-language learners to determine whether the age group of students that it targets is appropriate; and
- require that school boards report their expenditures on ESL/ELD programs and, where significant portions of the ESL/ELD grants are reallocated to other programs, determine what impact this has had on the ESL and ELD students in that board.

### Current Status

At the time of our follow-up, the Ministry indicated that it had started a review of ESL funding policies—both the general grant and the grant for Canadian-born English language learners. With respect to the third point of the recommendation, the Ministry had introduced program reporting, which, when fully implemented, will require that school boards report how funding for ESL is being used. The Ministry indicated that this would allow it to determine how much ESL/ELD funding is being used for its intended purpose and in turn be in a position to relate this to student achievement.

## Chapter 4

### Section 4.08

Ministry of Health and Long-Term Care

# Health Laboratory Services

Follow-up to VFM Section 3.08, 2005 Annual Report

## Background

Laboratory testing provides up to 80% of the information that physicians use to make medical decisions. Under the *Laboratory and Specimen Collection Centre Licensing Act* (Act), the Ministry of Health and Long-Term Care licenses and regulates Ontario's 185 hospital and 41 private medical laboratories, and these laboratories' 421 specimen-collection centres. In addition, the Ministry has a contract with the Ontario Medical Association (OMA) to operate a quality assurance 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. The Ministry inspects laboratories that have not yet been accredited.

During the 2005/06 fiscal year, the Ministry spent \$1.4 billion on laboratory services (\$1.3 billion in 2003/04), comprising hospital laboratory expenditures of \$824 million and private-sector laboratory expenditures of \$572 million. In addition, the OMA was paid \$4.4 million to operate the quality assurance program.

In our 2005 Annual Report, we noted that 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 assurance program or the Ministry's monitoring of this program after October 31, 2004, and therefore we were unable to determine whether the quality assurance 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 the laboratories' specimen-collection centres were complying.

In our 2005 Annual Report, we also noted that, 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, on the basis of 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 being notified in advance that a specimen sample was part of the OMA's quality assurance program, the number of significant errors being made by the laboratories in analyzing the samples submitted to the OMA was increasing.
- 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 a two- to four-year history of performing poorly on its external quality assessment tests.
- Although the Act allows laboratories in physicians' offices to conduct only *simple* laboratory procedures, a regulation under the Act effectively allows physicians to conduct *all* laboratory tests. At the time of our *2005 Annual Report*, we remained concerned that laboratories in physicians' offices were not subject to the quality assurance provisions that applied 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 did not clearly state that well water that was reported to have no significant evidence of bacterial contamination may still be unsafe to drink because of chemical and other contaminants.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

## Current Status of Recommendations

According to information received from the Ministry in spring 2007, two recommendations in our *2005 Annual Report* were substantially implemented, while some progress had been made in implementing the rest of our recommendations. Full implementation of the Ontario Laboratories Information System will take a year longer than planned. As well, our recommendation to collect better information on the costs of laboratory services to ensure that the services are being acquired economically will take one to two more years to fully implement. The current status of the action taken on each of our recommendations is as follows.

### MEDICAL LABORATORIES

#### Monitoring of Private and Hospital Laboratories

##### Recommendation

*To help ensure that laboratories comply with the Laboratory and Specimen Collection Centre Licensing Act and can be relied upon to produce accurate test results, the Ministry should:*

- *enhance its oversight of the Ontario Medical Association's (OMA's) quality-assurance activities, including obtaining sufficient information on the results of the OMA's accreditation process, as well as significant and lesser errors found in laboratory test results and evidence that corrective action has been taken on a timely basis; and*
- *until such time as it ceases its regular inspections, conduct them consistently.*

### Current Status

At the time of our follow-up, accountability agreements had been signed with the OMA, outlining the types of reports, mechanisms for reporting, and time frames for reporting to the Ministry. These accountability agreements address reporting for both the OMA's accreditation and external quality assessment work. At the time of our follow-up, the Ministry indicated it did not receive detailed information on the number of proven significant and lesser errors at each laboratory, even if the number was high, unless the OMA issued a letter of concern. However, it was receiving notification of the action taken when there was an increase in the number of lesser or significant errors at a laboratory.

Once a laboratory is accredited by the OMA, the Ministry will cease its regular inspections. The Ministry indicated that it had updated its inspection-procedures manual to reflect how laboratory inspections are to be consistently performed by all inspectors until all laboratories are accredited, which is expected to be in 2008.

### Monitoring of Physicians' Offices' Laboratories

#### Recommendation

*To help ensure that laboratory tests conducted in physicians' offices are properly performed and produce accurate results, the Ministry should assess whether the quality-assurance processes required for other*

*medical laboratories should apply to laboratories operated by physicians.*

#### Current Status

The Ministry indicated that it had initiated discussions with the College of Physicians and Surgeons of Ontario regarding options for monitoring the quality of testing being performed in physicians' offices. While these discussions were ongoing at the time of our follow-up, the Ministry anticipated that this matter would be resolved by fall 2007.

## MANAGEMENT AND REPORTING OF LABORATORY TESTS

We noted in our *2005 Annual Report* that the Ministry expected that the Ontario Laboratories Information System would be fully implemented by April 2007 at a cost of about \$84 million, and indicated that we would follow up on the status of the system. The system was expected to enable laboratory test information on individual patients to be accessed by all health-care and laboratory service providers directly involved with the patient. In addition, the system was expected to build a comprehensive information base to help manage and plan for laboratory service delivery, improve fiscal management of laboratory services, and provide timely utilization data to help develop best-practice guidelines for laboratory tests. At the time of our follow-up, the Ministry indicated that some project components (such as the rules-based on-line validation-of-services data) had been deferred pending future review, although the capability of laboratory ordering and viewing of results using the e-Health web portal was in the final stages of development, and its release strategy was also in the last phases. The Ministry indicated that total expenditures to March 31, 2007, were about \$58 million, with an additional \$26 million expected by the end of the 2007/08 fiscal year to complete the system development under way at the time of our follow-up.

## PAYMENTS TO PRIVATE LABORATORIES

### Recommendation

*To help ensure that private laboratory services are acquired in an economical manner, the Ministry should periodically determine the actual cost of providing these services and utilize this information when negotiating payments for laboratory services.*

### Current Status

The Ministry noted that, at the time of our follow-up, it was developing terms of reference for a two-stage review of the cost of private laboratory services. The Ministry expects the first stage to be completed by the end of the 2007/08 fiscal year. It is to include obtaining cost data and funding approaches from other provinces, determining the cost of hospital laboratory services, and reviewing other fee-for-service structures in Ontario. Using this information, in the second stage, the Ministry is to assess the ability to determine the actual costs of private laboratory services in Ontario. The Ministry expects the second stage to proceed in the 2008/09 fiscal year in conjunction with the laboratory sector, with resulting recommendations to be used in determining a future payment agreement with private laboratories.

## WELL-WATER TESTING

### Test Results Reporting

#### Recommendation

*To help ensure that individuals are aware of all potential contaminants in their well water, the Ministry should:*

- *indicate that the water was not tested for other contaminants, including chemical contaminants, and therefore may be unsafe to drink even when there is no significant evidence of bacterial contamination; and*
- *indicate on the test results report where individuals can obtain information on having their water tested for other contaminants.*

#### Current Status

In July 2006, the Ministry revised both its well-water-sample instruction sheet and its reporting form to indicate that the sample was tested only for bacterial contamination—and not other contaminants, such as chemical contaminants—and therefore may be unsafe to drink even when there is no significant evidence of bacterial contamination. As well, the forms instruct individuals to contact their local public health unit for information on testing for other contaminants.

### Rejection of Test Samples

#### Recommendation

*To better assist Ontarians in the timely identification of well water that is unsafe to drink, the Ministry should re-examine its policy of rejecting and not testing water samples due to missing postal codes and/or telephone numbers.*

#### Current Status

At the time of our follow-up, the Ministry indicated that, while a telephone number was still required on the well-water-testing requisition, the postal code was no longer a mandatory field, and that well-water samples were being tested even if the postal code was missing or incomplete. In addition, the Ministry has revised the well-water-collection kit instructions, which include information that individuals must submit with their water samples in order for them to be tested. As well, the Ministry commented that posters are displayed and one-page handouts are available at all water-collection-kit pick-up locations detailing information required for well-water testing. To determine the clarity of these instructions, amongst other things, in July 2006 the Ministry included a client feedback form in the well-water-collection kits. According to the Ministry, survey results for 2006 indicated that the majority of clients found the instructions clear. Final results from the survey for the 2007 calendar year are expected in early 2008.



## Chapter 4

### Section 4.09

Ministry of Northern Development and Mines

# Mines and Minerals Program

Follow-up to VFM Section 3.09, 2005 Annual Report

## Background

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 2006/07 fiscal year, the Ministry employed approximately 210 staff (200 in 2004/05) and spent \$29.8 million (\$35.5 million in 2004/05) to carry out these and other program activities.

In 2005, we found that, largely owing to the quality of the maps and advisory assistance it provides, the Ministry was generally seen by its stakeholders

as contributing to the success of the mining industry in Ontario. However, we also found that the Ministry did not have adequate procedures to ensure compliance with legislation and its internal policies or to measure and report on its effectiveness in building a competitive and sustainable minerals sector in the province. 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 all claimed exploration expenditures were actually incurred.
- 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 the required 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, because of difficulties in completing mapping projects on a timely basis and resourcing and capacity issues, in recent years the Ministry had been mapping 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 mapping projects against targeted completion time frames.
- 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 rehabilitate the mines.
- 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 these abandoned sites.

## Current Status of Recommendations

According to information received from the Ministry of Northern Development and Mines, significant progress has been made in addressing some

of the recommendations we made in our *2005 Annual Report*. However, for several other recommendations, additional work was still under way at the time of our follow-up. For the most part, the Ministry was expecting this work to be completed by March 31, 2008. The current status of actions taken on each of our recommendations as reported by the Ministry is as follows.

### MINERAL EXPLORATION

#### Staking Mining Claims

##### Recommendation

*To more efficiently and effectively manage the mine claim-staking system, the Ministry should assess the costs and benefits of a map-based staking system and consider implementing such a system in Ontario.*

##### Current Status

At the time of our follow-up, the Ministry had completed a Mineral Development Strategy and had assessed the costs and benefits associated with an electronic map-based staking system to replace the current system whereby each claim is physically marked by wooden or metal stakes being planted in the ground. The benefits identified included a significant reduction in claim boundary disputes, an increase in claim-staking activity, and a more accurate claims database. In light of such benefits and as part of a broader strategy to minimize conflicts between prospectors staking claims and surface rights holders, the Ministry was proceeding with a map-based staking system for southern Ontario and, pending a revision to the regulation under the *Mining Act* that the Ministry was working on, was hoping to have the system operational by spring 2008.

## Mining-claim Assessment Work

### Recommendation

*To ensure that holders of mining claims are actively prospecting and exploring land for the development of mineral resources, the Ministry should:*

- *develop procedures to ensure that all assessment files are reviewed for reasonableness;*
- *review the adequacy of the number of files selected for detailed expenditure verification and consider implementing a random selection process;*
- *assess whether the current level of inspections and prosecutions provides an effective deterrent to filing false information to retain mining rights; and*
- *consider disqualifying holders of forfeited claims from re-staking the same land until an appropriate period of time has passed.*

### Current Status

In January 2007, the Ministry revised its policies and procedures for reviewing mining-claim assessment work. The Ministry advised us that now all files received by the Geoscience Assessment Office are reviewed to assess the reasonableness of the technical content and reported exploration costs. When an assessment report meets the requirements of the Assessment Work regulation under the *Mining Act* and the reported expenditures are judged to be reasonable with respect to current industry standards, the Ministry credits the expenditures to the claim as assessment work. If a submission does not meet the technical requirements or the required expenditures are not reasonable, the report is subjected to a more detailed review by the Ministry before any assessment credits are allowed.

The Ministry also stated that it had implemented a risk-based process that uses various criteria for selecting files for additional expenditure verification and detailed review of technical deficiencies. The Ministry informed us that, during the 2006/07 fiscal year, up to 10% of submissions were selected

for detailed review through a random and targeted selection process. The Ministry judged such a percentage to be adequate (as compared to half of 1% reported in our *2005 Annual Report*) and was continuing to monitor the review process to ensure that the number of files being reviewed is adequate.

The Ministry had carried out a review of its current level of inspections and prosecutions to ensure that its procedures are deterring claim-holders from filing false information. In addition, to reduce the level of risk, the Ministry had developed an inspection work plan and provided additional resources to increase the number of inspections carried out. The Ministry also completed a review of its regulatory and administrative practices and determined that 97% of all submissions were in compliance with legislation and ministry policies.

The Ministry completed a review of the 19,081 claims forfeited from 2000 to 2006 and found that 354 of these claims were re-staked within one week of forfeiture. The Ministry also found that 199 of the 354 were re-staked by the same claim holders. As a result of this review, the Ministry determined that the risk posed by this issue (that is, of claims being re-staked without assessment work being done) is minimal and that, for the most part, the re-staking of claims is a normal part of the exploration process and, according to the Ministry, is allowed in most jurisdictions in Canada. The Ministry therefore determined that no further action was required on this issue at the time of our follow-up. Meanwhile, the Ministry would continue to monitor the occurrences of re-staking and, if they begin to increase, would determine the necessary corrective action.

## Ontario Geological Survey

### Recommendation

*To ensure that the Ontario Geological Survey provides, in a timely manner, the geological maps that*

are essential to encouraging mineral exploration in the province, the Ministry should:

- assess the costs and benefits of a program that would achieve the mapping of all areas of significant mineral potential within the recommended 20-year cycle and, based on this review, develop an overall mapping plan;
- enhance its process for project evaluation and selection to include appropriate documentation and assessment of the availability of the financial and staff resources necessary to complete the projects; and
- develop a project management system to better monitor the status of projects, help ensure that projects are completed on a timely basis, and enable timely action where projects are falling significantly behind.

#### Current Status

The Ministry informed us that it had assessed the costs and benefits of implementing a program that would achieve the mapping of all areas of significant mineral potential and determined that achieving the recommended 20-year cycle would cost an additional \$3 million a year over that cycle. The Ministry also determined, through an analysis involving users of geoscience information, that the benefit to Ontario of providing timely mapping information would be approximately \$300 million over the long term. Accordingly, to help achieve a complete mapping within the 20-year cycle, the Ontario Geological Survey (OGS) developed a rolling three-to-five-year mapping plan that is reviewed annually by the Minister's OGS Advisory Board. The Ministry informed us that this plan ensures that its strategic public-policy priorities are met while maintaining flexibility to respond to the short-term geoscience needs of clients.

The Ministry also informed us that it had revised its project evaluation and selection process to ensure that project files include appropriate documentation, such as a formal explanation of decisions, a risk assessment, and three budget scenarios with

financial and staffing implications. The Ministry implemented this revised process during the 2006/07 project-planning cycle and advised us that it would continue to revise and improve the process on an ongoing basis.

The Ministry indicated that, to better monitor the status of mapping projects, its project management system had been enhanced by implementing project-milestone tracking and by clarifying the reporting responsibilities of OGS staff and outside partners. The Ministry indicated that it would continue to monitor project milestones to ensure that project delays are identified and the necessary corrective action taken to keep mapping projects on schedule.

### Investment Marketing

#### Recommendation

*To enhance the province's attractiveness as a mining investment jurisdiction and help facilitate domestic and foreign investment in the mining industry, the Ministry should:*

- review the marketing strategies employed in other jurisdictions to help determine the potential costs and benefits of an expanded marketing program for Ontario;
- assess the feasibility of enhancing its investment leads database to help improve its investment marketing efforts; and
- develop an investment marketing plan that includes a full analysis of the costs and expected benefits of the proposed initiatives.

#### Current Status

The Ministry informed us that it had collected and analyzed marketing information from other Canadian jurisdictions, as recommended. This analysis helped the Ministry develop benefit indicators, such as increased awareness of Ontario's business climate, increased exploration expenditures, and increased capital investment. The Ministry advised us that it would collect information from

its planned marketing events to test the indicators and ensure that it receives value for the marketing expenditures it makes, but that at least two to five years of data will be required before trends and assumptions relating to an expansion of marketing can be reliably established. In the interim, the Ministry, in conjunction with the Ministry of Economic Development and Trade, would be annually assessing the overall marketing strategy and reviewing results and benefits.

To help enhance its investment leads database as recommended, the Ministry acquired customer relationship software that is intended to help the Ministry manage investment leads and contacts, target contacts for specific marketing events, and target contacts that will be surveyed to obtain feedback on marketing events.

The Ministry informed us that it developed a new strategic marketing plan in the 2006/07 fiscal year that is based on the factors that influence investment decisions. As part of this plan, the Ministry participated in relevant marketing events held outside Ontario during January and February of 2007. Following these events, the Ministry evaluated the cost and anticipated benefits of the marketing plan's proposed initiatives and made the necessary changes to its 2007/08 marketing plan to improve its investment marketing efforts.

## Investment Incentive Programs

### Recommendation

*To help achieve the full benefits of its investment incentive programs, the Ministry should ensure that the success of each program in achieving its goals is evaluated so that this information will be available in planning future incentive initiatives.*

### Current Status

The Ministry informed us that it had introduced a number of programs to promote mineral investment and development, including Operation Treasure Hunt and the Ontario Mineral Exploration

Technologies program. The Ministry commissioned a survey relating to Operation Treasure Hunt when the program ended and concluded that it had met its objective of attracting mineral investment and exploration to Ontario. A preliminary evaluation of the Ontario Mineral Exploration Technologies program was completed in March 2005, the results of which became part of the Ministry's ongoing monitoring of the business process and documented evaluation of each program's success.

The Ministry also informed us that it would use the new business process developed from the lessons learned in past incentive initiatives to monitor and evaluate the Far North Geological Mapping Initiative—a new three-year investment-attraction program announced in the 2005 Ontario Budget. Because the first geoscience projects for this program began in May 2006, results will not be available to assess until at least March 2008. The Ministry indicated that the final report on this program would be due by March 31, 2010. The results of these reviews, measured against the planned goals and benefits, will be used to evaluate the success of the program's geoscience projects, and the results of that evaluation will be used to develop future incentive initiatives.

## ENVIRONMENTAL PROTECTION

### Ontario's Living Legacy

#### Recommendation

*To help balance the economic benefits of mining activities with the protection of the environment, the Ministry should:*

- *resolve the status of the remaining mining lands designated as forest reserves within and adjacent to protected areas; and*
- *work with the Ministry of Natural Resources to ensure that any mining activities within designated areas take into consideration the protection of any known environmentally sensitive natural resource.*



### Current Status

In its response to this recommendation in our 2005 *Annual Report*, the Ministry indicated that the status of remaining mining lands designated as forest reserves was almost resolved—public input on the proposed solutions for the lands was still pending. At the time of our follow-up, the Ministry of Natural Resources, which administers the site regulation process whereby solutions for the lands are proposed, was still going through the public review process and consultations with First Nations regarding the proposed solutions. The status of 10 of the 66 remaining sites had still not been dealt with. According to the Ministry, when the status of these 10 remaining sites will be resolved depends largely on the progress made during the consultation process.

The Ministry informed us that it was continuing to work with other provincial and federal regulatory agencies to ensure that any mineral exploration, and possible mining, is carried out in a manner that meets existing legislative requirements and minimizes the impact to known environmentally sensitive natural resources.

## Rehabilitation of Operating Mines

### Recommendation

*To help ensure that all mining lands are rehabilitated so that each site is restored to either its former condition or another suitable use and that sufficient funds will be available to finance the cleanup, the Ministry should:*

- *ensure that closure plans are in place for all mine sites as required by the Mining Act;*
- *implement a standardized review process to ensure that all the requirements for closure plans are completed;*
- *develop a risk-based approach to its mine-rehabilitation inspection process, keep accurate records of all inspections performed, and*

*enhance inspection documentation to demonstrate that all applicable Mine Rehabilitation Code requirements have been met;*

- *review periodically whether the closure-cost estimates and financial assurances are still sufficient to properly close out the mine; and*
- *evaluate the adequacy of the current forms of self-assurance to mitigate the risk that the taxpayer will have to pay to clean up mine sites.*

### Current Status

At the time of our 2005 audit, closure plans for 18 sites were outstanding. By the time of our follow-up, six had been submitted, leaving 12 still outstanding. The Ministry indicated that it would pursue the resolution of these outstanding closure plans through legal and procedural means available under the *Mining Act*.

The Ministry informed us that, to ensure that the requirements for closure plans are completed, it had implemented a procedural checklist for reviewing closure plans, along with a checklist for the information and documentation required for closure plans.

With respect to the process and documentation for mine-rehabilitation inspection, the Ministry had developed risk-assessment factors and an inspection form that incorporates the standards, procedures, and requirements of the Mine Rehabilitation Code of Ontario. In addition, the Ministry was working on an electronic version of this form so that inspection staff can file their reports electronically from field locations. To ensure that inspection information is provided in a timely manner, inspection staff had been directed to file their reports within one month of the inspection.

At the time of our follow-up, the Ministry was still reviewing the options with respect to establishing a regular review process for determining whether closure-cost estimates and financial assurances are still sufficient to properly close out a mine. Since, according to the Ministry, establishing such

a process would require a change in a regulation under the *Mining Act*, it would, as an interim measure, send a letter every January to all mining companies reminding them of the requirement to file a “Notice of Material Change” when closure costs change. The information from these notices should help the Ministry determine whether amendments to the closure plans, the closure-cost estimates, and/or financial assurances are required. The Ministry was expecting that any changes to its procedures to monitor closure-cost estimates and the adequacy of financial assurance to properly close out mines would be in place by March 31, 2008.

Companies whose bonds are rated Triple B or higher meet the corporate financial test established in the *Mining Act* and do not have to provide financial assurance for the first half-life of the mine. For the second half-life of the mine, companies are to provide the Ministry with one of the other types of financial assurance allowed by the *Mining Act* (for example, cash, pledge of assets, or letter of guarantee). At the time of our follow-up, the Ministry had reviewed the adequacy of this current self-assurance mechanism and also indicated that the companies that provided such self-assurance for closure costs continued to meet the required financial test. To ensure that the risk of taxpayers having to pay mine cleanup costs is minimized and that companies continue to meet the requirements of the Act for financial assurance, the Ministry advised us that it also periodically monitors the credit ratings of the companies using the corporate financial test.

## Abandoned Mines Rehabilitation Program

### Recommendation

*To more effectively manage the rehabilitation of abandoned mines in the province and to protect public health, public safety, and the environment, the Ministry should:*

- *ensure that information on all abandoned mines is entered into the Abandoned Mines Information System;*
- *assess the potential for chemical contamination at each site; and*
- *develop a long-term strategy for managing, monitoring, and rehabilitating abandoned mine sites that includes an updated estimate of the funds required, a priority ranking of all sites based on risk, and the expected time frame to complete the rehabilitation, given the anticipated level of funding.*

### Current Status

The Ministry informed us that all the pertinent information from the site assessments performed for abandoned mines in 2000 had been entered into the Abandoned Mines Information System at the time of our follow-up. Also, the system contained all the information available to the Ministry to date on chemical contamination of abandoned mine sites. The Ministry had determined that 96 abandoned mine sites, which had facilities for treating or disposing of tailings (that is, waste) that resulted from mineral processing, required additional assessment. As a result, the Ministry hired a consultant to review these sites for chemical contamination. The work started in January 2007 and the consultant’s report is due back to the Ministry by March 31, 2008.

As part of a long-term strategy for managing, monitoring, and rehabilitating abandoned mine sites, the Ministry had started work on a priority ranking system to categorize mine sites based on their risk to public health and safety and the environment. The Ministry was planning to complete this ranking system by March 31, 2008. With the resulting information on abandoned mine risk, along with the information gathered on chemical contamination of abandoned mines, the Ministry was hoping to be in a better position to update the estimate of funds required and determine the expected time frame for rehabilitating abandoned

mine sites. However, the Ministry also told us that it may be difficult to provide a firm estimate of funds required to rehabilitate abandoned mine sites because of the number of variables that are outside the Ministry's control, such as future cleanup costs, and the possible return to the Crown of additional abandoned mine sites that are currently privately held if the private owner becomes insolvent or is dissolved.

## REVENUE COLLECTION

### Recommendation

*To help ensure the receipt of all the funds it is entitled to from the taxes and rents levied on mining lands, the Ministry should:*

- *pursue outstanding accounts on a timely basis;*
- *charge the prescribed interest rate for overdue rent on leases and licences;*
- *on a timely basis, initiate procedures to revoke the mining rights of owners that have not paid the required taxes and rents; and*
- *review the appropriateness of fees charged for mining rights.*

### Current Status

At the time of our follow-up, the Ministry had completed a review of the taxes and rents levied on patented, leased, and licensed mining lands and indicated that it was following up on all outstanding accounts that were more than two years in arrears. In April 2006, the Ministry developed a two-year action plan to collect taxes that were in arrears on 2,472 lands. By December 2006, taxes levied on 1,857, or 75%, of these lands had been paid or satisfactorily resolved. The Ministry was planning to have all the cases of unpaid taxes resolved by March 31, 2008. In addition, the Ministry had pursued the registered holders of land that had rents outstanding, and as of March 31, 2007, had either collected the amounts in arrears or terminated the holders' mining rights and forfeited them to the Crown.

The *Mining Act* allows for interest to be collected on overdue rent on leases and licences at prescribed rates. The Ministry indicated at the time of our follow-up that it was seeking a legal opinion and working with the Ministry of Finance to determine what an appropriate interest rate would be and what its options were for collecting such interest. The Ministry noted that the interest-rate provision could be introduced as early as March 31, 2008, depending on the extent of computer programming required, the results of discussions with other ministries, and the amount of work involved in client education.

At the time of our follow-up, the Ministry was upgrading and enhancing its information database and revenue-collection system to enable it to initiate procedures to revoke the mining rights of owners that have not paid the required taxes and rents on a timely basis. It expected to complete this work by January 2008.

The Ministry informed us that it had also completed a review of the fees charged for mining rights in other Canadian jurisdictions and had determined that Ontario's fees are consistent with those charged elsewhere. The Ministry indicated that it continuously reviews its fees and would make recommendations to change, via regulation, the amounts charged, if necessary, while still ensuring that amounts charged do not adversely affect Ontario's business and competitive climate.

## MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

### Recommendation

*The Ministry should develop more comprehensive indicators for measuring and reporting on the Mines and Minerals Program's effectiveness in ensuring that Ontario's mining sector is healthy, competitive, and sustainable and in minimizing the impacts of mining activities on public health and safety and the environment.*

### Current Status

The Ministry introduced two new performance measures for the 2007/08 fiscal year: the dollar value of new investment in Ontario's exploration and mining industries, and the percentage of funding provided for the Abandoned Mines Rehabilitation Program that is used for remedial work. However, we noted that the Ministry still did not have indicators for measuring its performance in certain other areas, such as in minimizing the impacts of mining activities on public health and safety and the environment.

## Chapter 4

### Section 4.10

# Office of the Chief Electoral Officer

Follow-up to VFM Section 3.10, *2005 Annual Report*

## Background

The Office of the Chief Electoral Officer (formerly Chief Election Officer), known also 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 Electoral Officer on the recommendation of the Legislative Assembly. The responsibilities of the Chief Electoral Officer include:

- organization and conduct of general elections and by-elections in accordance with provisions of the *Election Act* and the *Representation Act, 1996*;
- organization and conduct of a referendum on the adoption of a different electoral system in conjunction with the 2007 general election, as set out in the *Electoral System Referendum Act, 2007*; and
- administration of the *Election Finances Act*.

We noted in our *2005 Annual Report* that total expenditures of Elections Ontario in the four years up to and including the 2003 election had more than doubled since the four years 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 to submit a budget to, or receive approval from, the Board of Internal Economy for the vast majority of its expenditures. Furthermore, at the time of our 2005 audit, there was no requirement for Elections Ontario to report annually on its activities.

We concluded in our *2005 Annual Report* that more care was needed with regard to the spending of taxpayer funds in certain areas. We noted in particular that Elections Ontario:

- did not have adequate procedures for acquiring and managing consulting services;
- had not assessed whether an in-house call centre was the most economical way to handle inquiries from the public;
- had not adequately considered 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 incurred by its employees were reasonable and appropriate.

As part of our work, we also noted that the federal Chief Electoral Officer and those of several other provinces are required to report annually to Parliament or their legislature. They must also include most—if not all—of their expected expenditures in an annual appropriation request. We



felt that similar requirements for Elections Ontario warranted consideration, especially because its annual expenditures had increased substantially over the last few years. Furthermore, its budgeted expenditures for the next three years were projected at about \$119 million—of which some \$100 million did not have to be submitted to the Board of Internal Economy for approval.

We made a number of recommendations for improvement and received commitments from Elections Ontario that it would take action to respond to the issues we raised.

## Current Status of Recommendations

On the basis of information we obtained from Elections Ontario, good progress has been made in addressing all of the recommendations in our *2005 Annual Report*. The current status of action taken on each of our recommendations is as follows.

### ACCOUNTABILITY

#### Recommendation

*In view of the accountability and transparency requirements for, and practices of, electoral officers in certain other Canadian jurisdictions and given the significant increase in the expenditures of Elections Ontario (as well as its projected expenditures), the Legislative Assembly and the government should consider requiring that Elections Ontario submit an annual budget to the Board of Internal Economy that covers all planned expenditures and that it report annually on its activities and expenditures.*

#### Current Status

There is still no requirement that Elections Ontario submit an annual budget to the Board of Internal Economy covering all planned expenditures. However, we noted that in July 2007 Elections Ontario

submitted a pre-election budget for the 2007 general election to the Speaker even though it was not required to do so. Elections Ontario informed us that, as discussed in the next section, the budget for the 2007 general election and referendum—totalling approximately \$93 million—was prepared on a basis consistent with the revised costs for the 2003 general election.

Beginning in 2004/05, Elections Ontario voluntarily disclosed its activities and expenditures under the *Election Act* in its annual statutory report under the *Election Finances Act*. Effective June 2007, the *Election Act* now requires the Chief Electoral Officer to report annually to the Speaker of the Legislative Assembly on the affairs of his or her office in relation to the Act.

### GENERAL ELECTION REPORTING

#### Recommendation

*To help ensure that amounts reported as election costs are clearly understood, Elections Ontario should clarify the basis for calculating the expenditures and ensure that comparative figures are calculated on a consistent basis.*

#### Current Status

We were told by Elections Ontario that it has developed a new model for reporting election costs. “Event” expenses are those incurred in the process of preparing and conducting an event, such as an election, by-election, or referendum. These expenditures must be exclusively for the event and have no value after the event is over. “Non-event” expenses are those that have a residual value after the event. Using the new model, Elections Ontario revised the reported costs of the 2003 general election, from \$47.7 million to \$74.4 million. Included in this revised total are such items as “target registration” to improve delivery of information to voters in targeted areas like high-density housing and those residential properties that recently changed hands; training of event staff; and the design and production of new advertising for the 2003 general election.

## PURCHASING PROCEDURES

### Recommendation

To help ensure that consulting and other services are acquired at the best available price and that the selection process is competitive, open, and transparent, Elections Ontario should:

- issue public tenders when significant services are being acquired (at a minimum, this should be a requirement for all assignments exceeding \$100,000); and
- ensure that all assignments have a written agreement or contract that clearly identifies the project deliverables, timelines, and a fixed ceiling price.

### Current Status

Elections Ontario revised its Procurement Directive for Goods and Services in December 2006. Our review of the directive found that it was consistent with the Procurement Directive for Goods and Services issued by the Management Board of Cabinet. Purchases with an estimated value between \$100,000 and \$750,000 require a formal tender or a request for proposals inviting a minimum of five vendors, but a tender is preferred. The use of a fairness commissioner is recommended in any procurement involving a Vendor-of-Record arrangement, in which vendors have qualified through a fair, open, transparent, and competitive process. For purchases over \$750,000, an “open competitive tender coupled with the consideration of the use of a fairness commissioner is recommended.”

The new policy requires a signed written contract before the supply of goods or services commences.

## CALL CENTRES

### Recommendation

To help minimize the cost of providing call-centre services for future elections, Elections Ontario should:

- assess alternatives for meeting call-centre needs; and

- conduct a more thorough analysis of the number of staff and related software licences required if Elections Ontario continues to operate its own call centres.

### Current Status

We were advised that subsequent to our audit, Elections Ontario retained a consultant to assess alternative ways to meet its call-centre needs. In February 2006, the consultant completed an in-depth study of Elections Ontario’s 2003 public call-centre strategy, operational efficiency, and customer-service performance, and provided alternative business models and recommendations. The consultant’s conclusion was that the most cost-effective method for handling general public calls was to outsource them to an external service provider.

We were informed that Elections Ontario subsequently reviewed its business environment and determined that the choice of directions for its 2007 public-contact-centre services regarding events lay between outsourcing and an in-house solution that made optimal use of the residual value of its original investment in equipment. Elections Ontario issued a request for quotations for the provision of contact-centre services for the 2007 general election to determine the true cost of an outsourced contact centre and to identify potential service providers. Bidders had to provide an estimated total cost for running Elections Ontario’s public-contact centre from August 20 to October 5, 2007, with a projected volume of 350,000 calls. Three bids were submitted, ranging from \$1 million to \$1.7 million. Elections Ontario advised us that only the highest bidder could meet all of its requirements.

Before making a final decision, Elections Ontario calculated that the total cost of running an in-house call centre for the 2007 general election was expected to be \$1.4 million, covering a volume of 350,000 calls during the election period as well as another 180,000 calls for all pre-election events and field-support services. As a result, Elections Ontario chose an in-house call centre for the 2007 general

election. We will review the results of this decision in 2008 during our next annual financial audit of Elections Ontario.

## LEASING OF COMPUTER EQUIPMENT

### Recommendation

*Elections Ontario should use the time before the next election to examine whether there are more cost-effective means of equipping returning offices with computer equipment for the one-to-two-month period involved.*

### Current Status

Elections Ontario advised us that it commissioned a review of its contractual arrangement for providing computing hardware and services for electoral events. The consultant reviewed the renewal and extension options in the contract, as well as alternative acquisition and service-model options. Eight primary options were identified and evaluated in the consultant's report. The preferred approach combined a partial buy-out of certain equipment from the existing contract and the acquisition of up-to-date equipment to meet the increased demand for the 2007 general election.

We were told that subsequent to the consultant's report, Elections Ontario had the opportunity to buy, from Statistics Canada, some 700 laptop computers and shipping cases that had been used for the 2006 federal census and that would meet its hardware requirements. Statistics Canada shipped the computers to Elections Ontario free of charge. Elections Ontario purchased the remaining laptop computers it required for \$540,000 through a competitive process. We were told by Elections Ontario that these computers will be used for the 2007 and 2011 general elections.

## HOSPITALITY, TRAVEL, AND OTHER EXPENSES

### Hospitality and Travel Expenses

#### Recommendation

*To ensure that the hospitality and travel expenditures incurred by Elections Ontario are reasonable and appropriate, Election Ontario should adopt hospitality and travel expenses policies consistent with Management Board of Cabinet directives and ensure that expenses are in compliance with such policies.*

#### Current Status

Elections Ontario introduced a revised Hospitality and Travel Expense Policy in April 2006 and, at the time of our follow-up, was in the process of making certain revisions to further improve efficiency and enhance compliance monitoring. Elections Ontario told us that adherence to the policy is being ensured through divisional-management-approval processes and the monitoring of all claims by the finance unit before payments are made. The individual approving a claim must resolve any deviations before the claim can be processed. We reviewed both policies and found they were consistent with the Management Board of Cabinet's Travel, Meal and Hospitality Expenses Directive.

### Other Expenses

#### Recommendation

*To help ensure that taxpayer funds are used prudently, Elections Ontario should reconsider sponsoring staff team-building events that involve sporting or recreational activities.*

#### Current Status

Elections Ontario advised us that since our 2005 audit, there have been no team-building events involving activities that could be considered "sporting" or "recreational."

## OTHER MATTER

### Summer Help

#### Recommendation

*To ensure that staff are being used as productively as possible, Elections Ontario should conduct a formal assessment of workload, especially during the summer months, to confirm that there are no alternatives to hiring 20 summer students. In addition, if students are needed to supplement staff during the summer, Elections Ontario should ensure that the hiring process for students is more open and competitive.*

#### Current Status

Elections Ontario advised us that in 2006, it adopted a new approach for its summer employment program that requires a business case documenting the rationale behind the need to hire summer students, and the job descriptions for each position. The total number of students hired in 2006 dropped to eight from 20 the year before.

The positions were advertised in an open competition through the Legislative Assembly's Intranet and on the websites of Elections Ontario, the University of Toronto, Ryerson University, and Workopolis. Elections Ontario told us that it paid its summer students a rate consistent with that paid by the Legislative Assembly to its summer students.

## Chapter 4

### Section 4.11

Ministry of Government Services

# Office of the Registrar General

Follow-up to VFM Section 3.11, *2005 Annual Report*

## Background

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. In the 2006/07 fiscal year, approximately 300,000 events were registered (the same in 2004/05) and 600,000 certificates and certified copies (400,000 in 2004/05) were issued. (The considerable increase in certificates since our *2005 Annual Report* is primarily because of changed requirements for passports needed to enter the United States). In the 2006/07 fiscal year, the Office had operating expenditures of \$22 million (\$30.3 million in 2004/05), and collected \$24.3 million in fees for issuing certificates (\$19.6 million in 2004/05).

In our *2005 Annual Report*, we found that, until a few years earlier, the Office had registered all vital events and provided the public with timely and reliable service for all document requests. However, owing 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, had increased to several months, even a year or more, despite more than a doubling of staff. At the

time of our audit, the Office advised us 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.

We made a number of recommendations for improvement and received commitments that the Office of the Registrar General would continue to take action to address our concerns.

## Current Status of Recommendations

According to information received from the Office of the Registrar General, significant progress has been made in addressing most of the recommendations in our *2005 Annual Report*. Additional work is still required and under way to further reduce backlogs in certificate applications and the Office's call centre service. The current status of action taken on each of our recommendations is as follows.

### REGISTERING VITAL EVENTS AND ISSUING CERTIFICATES

#### Delays in Registrations

##### Recommendation

*To properly discharge its legislative responsibilities in registering vital events, the Office of the Registrar General should:*

- *take steps to bring all outstanding registrations up to date and process incoming registrations when notification of the vital events is received;*
- *correct all errors in the original registration records promptly once they have been brought to the Office's attention; and*
- *inform certificate applicants on a timely basis in cases when the vital event has not been registered and specify what, if any, action is required on their part.*

##### Current Status

According to the Office, the number of vital events not registered decreased by 75%, from 178,000 to 45,000, between December 2004 and April 2007. The Office's goal is to maintain the inventory of registration applications at no more than 40,000 to 50,000 at any given time in order to meet service standards. As well, the Office told us that it had consistently processed registrations that were complete and clear of errors within its six to eight week service standard since 2005. The Office suggested that this service improvement is owing in part to the introduction in 2006 of the Newborn Registration Service, an online integrated birth registration service that combines completion of the birth registration form with applications for a birth certificate and social insurance card. Specifically, parents now complete onscreen a birth registration form that they then print and mail to their municipality. As part of the same transaction, they also automatically send in the request for the birth certificate and social insurance number without having to key in the information again. This single-input method helps reduce errors in registration forms and improves processing time. The next phase of this project allowing both parents and hospitals to complete and submit their registration forms on-line—with no need to mail paper documents to local municipalities—was to be launched in selected parts of the province in summer 2007. The Office informed us that it planned to roll out the service across the province starting in late 2007.

The Office also reported that the timely correction of errors was ongoing, with errors being corrected in six to eight weeks once they had been brought to the Office's attention.

With respect to informing certificate applicants on a timely basis in cases when the vital event has not been registered, the Office indicated that it had implemented procedures to accomplish this. Specifically, in cases where parents have applied for a birth certificate but have not registered the birth, the Office sends a letter reminding them of

the required process. The Office sends up to three reminder letters. In addition, the Office introduced an on-line birth-certificate application in 2005. This system reminds applicants that the birth must be registered prior to certificate issuance and suggests that parents use the on-line Newborn Registration Service if they have not registered the child's birth.

## Delays in Certificates

### Recommendation

*To provide more timely and effective customer service, the Office of the Registrar General should:*

- *provide a more reliable estimate to applicants on the turnaround time for birth, death, and marriage certificates;*
- *track incoming applications for certificates better and, if information is missing, promptly advise applicants and follow up when the information is not forthcoming; and*
- *promptly process the applications where additional information has been provided as requested.*

### Current Status

In December 2005, the Office implemented an on-line status-inquiry system for certificate applications. This system maintains information about completed applications for 30 days, cancelled applications for 60 days, and applications in progress for a year. In addition, the Office launched what it says is the first-ever government-service guarantee for service delivery. For births (since November 2005) and marriages and deaths (since January 2007), a full money-back guarantee has been offered to customers who apply on-line. If an application is complete, accurate, and meets the Office's terms and conditions, there is a 15-business-day service guarantee for processing marriage and death certificate applications, and for the processing and delivery of birth certificates. As of June 2007, the Office indicated that it had met the service guarantee standard over 99% of the time, and had only issued about 150 refunds for on-line certificate applications

(the clients who received the refunds on average received their certificates within 24 business days).

In the case of applications where further information is required from clients, the Office told us that, after the initial request was sent to the clients, it would not send another request unless the customer contacted the Office. The Office advised us that at the time of our follow-up, there were 75,000 applications awaiting applicant response. Of these 75,000 applications, two-thirds were over a year old, which might indicate that the clients have abandoned these applications. The Office indicated that, once outstanding information was received from the client, the application was processed within six to eight weeks.

## HANDLING INQUIRIES AND COMPLAINTS

### Recommendation

*To deal more effectively and efficiently with applicant inquiries and complaints, the Office of the Registrar General should:*

- *consider providing automated prerecorded messages to inform applicants of the delays and estimated times for delivery of various types of certificates; and*
- *review the current deployment of staff with a view to increasing the efficiency of the Office's operations.*

### Current Status

The Office acknowledged that there were still calls that were not able to get through; however, it indicated that, as of the time of our follow-up, the number of calls that received a busy signal had decreased from 130,000 per day in 2005 to about 5,000 per day in March 2007. The Office had introduced pre-recorded messages that included processing times for certificate requests and general information to callers. The Office had also introduced on-line self-service status checking, which allows clients to determine the status of their applications on-line instead of over the telephone.

The Office informed us that, at the time of our follow-up, staffing was being monitored and reviewed daily. The Office indicated that it looked for continuous improvement opportunities through productivity reviews. All areas relating to certificate issuance, registration, and specialty services had been or were being reviewed by outside consultants or internally by ministry staff.

## VISION: A NEW COMPUTER SYSTEM

### System Procurement

#### Recommendation

*To promote better value for money for taxpayers when acquiring any major computer system, the Office of the Registrar General should:*

- *ensure that sound project-planning practices for information technology are followed when deciding whether to buy the system or build it internally, giving due consideration to the capacity and experience of staff as well as objectively considering whether proven solutions exist in the marketplace;*
- *ensure that timelines and project costs for acquiring the system, whether it is built internally or bought from outside vendors, are based on a sound and objective analysis; and*
- *ensure that specific Management Board of Cabinet approval is obtained when there are significant changes to the originally approved business case and approach.*

#### Current Status

The Office indicated that it, along with the Government Services Delivery Cluster, had ensured that government-approved procurement business practices would be followed, including considerations as recommended in our *2005 Annual Report*, for systems developed subsequent to VISION. System development under way at the time of our follow-up included implementation of a new fully on-line death registration system, and the

upgrading of the Registrar General Document Management System.

## System Development and Implementation

#### Recommendation

*To ensure the delivery of timely service to the public and to help achieve the original objectives of the project in making the Office of the Registrar General more effective and efficient, the Ministry should:*

- *establish accountability for development and implementation of the project to make sure that the roles of respective stakeholders are clearly understood and fulfilled; and*
- *expedite efforts to fix all critical outstanding work orders to ensure that the system functions properly and provides a stable environment for staff to work with.*

#### Current Status

The Office indicated that, since 2005, all planned project deliverables and system improvements have been delivered on time. It further indicated that, as of the time of our follow-up, project charters that established the roles of stakeholders and their accountability for development and implementation had been established for all system projects. These projects included those that had either been completed or were in the process of being completed since our *2005 Annual Report*.

In 2005, we reported that approximately 130 work orders relating to the VISION system that were deemed critical had yet to be dealt with. The Office advised us that, as of the time of our follow-up, the number of work orders critical in terms of enhanced service levels and efficiency remaining to be implemented had decreased to 73. The Office stated that work orders that were deemed critical would continue to be addressed on a priority basis and work orders that were deemed low-priority would be addressed as appropriate based on business needs.

## MANAGING HUMAN RESOURCES

### Recommendation

To improve staff productivity and morale, the Office of the Registrar General should comply with prudent human resources management practices that include:

- proper planning and approvals before proceeding with an organizational restructuring;
- the development of clear job specifications to ensure that staff are fully aware of their duties and responsibilities;
- a proper assessment of staff qualifications before appointing anyone to a position, including an assessment of the required education, experience, and skills of the position;
- the advertising of and competition for job openings to ensure fairness and accessibility unless extenuating circumstances warrant otherwise; and
- the proper approval for any departure from Public Service Act requirements or Management Board of Cabinet directives.

### Current Status

The Office employed 280 staff at the time of our follow-up, compared to approximately 350 in 2005. According to the Office, since 2005, all permanent recruitments were conducted through advertised competitions and job specifications had been written for all new positions. The Office indicated that, from January 2005 until the time of our follow-up, 16 new job specifications had been written and classified, and 30 competitions had been completed that resulted in the hiring of operational and management level positions. The Office also indicated that a new training program was introduced in 2006 to strengthen staff competencies and enhance productivity.

## SAFEGUARDING VITAL EVENTS INFORMATION

### Recommendation

To ensure that confidential data are adequately protected against unauthorized access and tampering,

*the Office of the Registrar General should implement appropriate access and security controls, including promptly addressing the security concerns already identified.*

### Current Status

In its original response included in our 2005 Annual Report, the Office indicated that it had implemented off-site tape backup storage and was in the process of implementing enhanced firewall protection. At the time of our follow-up, the Office informed us that it had subsequently implemented enhanced firewall protection.

## INTEGRATING REGISTRATION AND CERTIFICATE ISSUANCE

### Recommendation

*To meet its mandate of registering vital events and providing certificates more efficiently, the Office of the Registrar General should formally assess the option of integrating the registration and certificate issuance processes into one combined process.*

### Current Status

The Office indicated that the on-line Newborn Registration Service, which integrates birth registration and certificate issuance, was rolled out across Ontario in 2006. According to the Office, 35% of birth registrations were completed using this service between September 2006 and March 2007. The Office indicated that further promotion and marketing of this service is likely to increase uptake rates across the province. The Office also indicated that a system that would allow birth registrations to be submitted on-line, rather than by paper documents mailed to local municipalities, was to be launched in selected parts of the province in summer 2007. The Office informed us that it planned to roll out this service across the province starting in late 2007.

## Chapter 4

### Section 4.12

Ministry of Community Safety and Correctional Services

# Ontario Provincial Police

Follow-up to VFM Section 3.12, *2005 Annual Report*

## Background

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 of criminal investigations. The OPP maintains 79 local detachment offices and 87 satellite offices (which report to one of the detachments) throughout the province.

With, in the 2006/07 fiscal year, approximately 5,500 uniformed officers, 2,000 civilian employees (1,800 in 2004/05), and 850 auxiliary officers (800 in 2004/05), the OPP is one of North America's largest deployed police services. For the 2006/07 fiscal year, OPP expenditures before municipal recoveries (costs paid by municipalities for policing services) totalled \$809.3 million (\$733.2 million in 2004/05).

We concluded in our *2005 Annual Report* that while several issues from our previous audit in 1998—such as the use of overtime and billings to municipalities—had been largely addressed, in other areas—such as staff deployment, shift scheduling, and the implementation of community-

oriented policing principles—much work remained to be done. Our specific concerns in 2005 included the following:

- The OPP's staff deployment model was not being used, and the assignment of officers to detachments did not take into account actual total workload. Also, the Differential Response Unit was not fully implemented province-wide to free up officer time to respond to more serious calls for service.
- Research in other jurisdictions indicated that the 12-hour shifts used by most detachments have health and safety implications and do not offer the best matching of officers to demand for services.
- 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.
- 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.

We made a number of recommendations for improvement and received commitments from the Ontario Provincial Police that it would take action to address our concerns.

## Current Status of Recommendations

The OPP has made good progress in implementing most of the recommendations in our *2005 Annual Report*, including those pertaining to the Differential Response Unit, traffic patrol, and driver training. However, on several others—such as staff deployment, security of seized items, and detachment armaments—additional action will be required. The current status of action taken on each of our recommendations is as follows.

### DUE REGARD FOR ECONOMY AND EFFICIENCY

#### Staff Deployment

##### Recommendation

*To help ensure that available uniformed officers are allocated to detachments based on assessed need and efficiently deployed, the Ontario Provincial Police (OPP) should:*

- expedite completion of the joint OPP-RCMP staffing model and ensure that:
  - it takes into consideration non-contract municipal policing and provincial policing responsibilities in estimating the number of officers that need to be assigned to each detachment; and
  - it is used by the OPP for allocating officers to detachments; and

- reassess the merits of the 12-hour shift schedule and consider alternatives that would provide a better match between the number of officers on duty and the demand for police services.

##### Current Status

According to the OPP, testing of the new OPP-RCMP detachment staffing model was completed on six OPP test sites early in 2007; after the testing the model was to be customized to reflect all OPP parameters and business rules. We were told that this requires a significant amount of additional data collection and analysis, which was under way at the time of our follow-up.

Testing of the new staffing model in up to 25 OPP sites was expected to be completed by the fall of 2007 and, if the testing was successful, province-wide implementation of the new staffing model was expected to commence across the province shortly thereafter.

With respect to shift scheduling, the OPP informed us that shift scheduling is being reviewed as part of the OPP Efficiency Review, which, at the time of our follow-up, was researching alternatives to the 12-hour shift to determine which alternatives would be best suited to the detachments in their area. Early indications pointed toward the conclusion that several shift variations will be needed in order to address local geographical, workload, and response-time issues.

As of the time of our follow-up, while awaiting the results of the Efficiency Review, the OPP was continuing to use the 12-hour shift schedule in most locations.

#### Differential Response Unit

##### Recommendation

*Given the significant benefits of freeing up officer time to handle more serious matters through implementing the Differential Response Unit (DRU) function, the Ontario Provincial Police should:*

- encourage all regions across the province to fully implement the DRU function; and
- require the regions to provide the information necessary to assess the results achieved and promulgate best practices across the province.

### Current Status

At the time of our follow-up, it had become an operational requirement that each regional headquarters establish a Differential Response Unit, and we were informed that these units have now been established across the province.

In addition, the OPP also established a requirement in October 2006 that an annual service review be conducted on each Differential Response Unit. We understand furthermore that the OPP Efficiency Review project referred to earlier is intended to focus on, among other things, developing standards and requirements for the Differential Response Unit's annual service reviews.

## Information Systems

### Recommendation

*To help ensure that the information in the Daily Activity Reporting system can be relied on for decision-making purposes, the Ontario Provincial Police should:*

- develop procedures whereby the completeness and accuracy of the information entered by individual officers is reviewed and approved by a senior officer;
- assess alternatives for inputting information into the system in order to minimize the time required; and
- periodically review the hours entered for specific functions to assess whether the proportion of hours being charged to each activity is reasonable.

*To ensure that all information entered into the Records Management System is reviewed and approved, the System's override option—whereby*

*officers can bypass the required supervisory function—should be reconsidered.*

### Current Status

Since the time of our 2005 Annual Report, the Daily Activity Reporting (DAR) system has been revised so that overtime hours recorded by an officer are accepted by the system only after all hours worked in a month have been reported in the DAR system and overtime hours have been reviewed and approved on-line by a senior officer. However, officers can continue to record regular working hours without review and approval by a senior officer.

We also noted that, as of the time of our follow-up, the OPP had contracted with a consultant to review various components of the DAR system, including looking at alternatives to data entry and the possibility of linking DAR to other computer systems, including the Records Management System.

We found that the OPP was using information in the DAR system to monitor time spent on major events—such as the Caledonia land claim—or for tracking overtime. However, although reports can be produced for analysis by front-line supervisors, there was no evidence that DAR was used to analyze overall time spent on regular general duty codes, such as crime prevention and administration, to determine whether the time being charged to these codes was reasonable.

At the time of our follow-up, the Records Management System's override option, whereby officers can bypass the required supervising functions, had not yet been addressed. However, the OPP informed us that it was in discussions with a vendor regarding implementing the necessary changes to address this issue. It was also conducting a review of the system, which included efforts to determine the extent to which the override option has been used.

## Overtime

### Recommendation

*To help ensure that overtime is reasonable and incurred only when operationally necessary, the Ontario Provincial Police should ensure that a superior officer approves all overtime claims.*

### Current Status

Following our 2005 Annual Report, the OPP revised its overtime policy to include the requirement that all overtime be approved by a supervisor before such costs are incurred.

## QUALITY OF SERVICE

### Community-oriented Policing

#### Recommendation

*To ensure that all detachments are proactively dealing with community concerns and are complying with community-oriented policing principles, the Ontario Provincial Police should:*

- *establish minimum requirements to guide detachments in the consistent implementation of community-oriented policing services;*
- *co-ordinate and monitor the ongoing implementation of community-oriented policing principles and the achievement of related objectives across the province; and*
- *periodically evaluate the effectiveness of community-oriented policing program service delivery and, if necessary, take corrective action.*

#### Current Status

We were advised that, at the time of our follow-up, specific requirements to guide detachments in the consistent implementation of community-oriented policing had not been established, primarily because of differences in detachments' workloads and the need for flexibility to meet local needs and priorities. Nevertheless, local needs are identified through a variety of means, such as local town hall gatherings and community policing committees.

For example, a recent survey conducted by the OPP found that 94 community policing committees meet as necessary to facilitate information sharing and needs analysis.

In fall 2006, the OPP developed the Results Driven Policing Accountability Framework, which emphasizes crime prevention and traffic enforcement—both of which are also integral aspects of the Community-oriented Policing Initiative. However, at the time of our follow-up, the OPP still needed to identify an appropriate mechanism for documenting and tracking community involvement and input into policing strategies at all levels.

At the time of our follow-up, the OPP was using its annual business-planning process as a mechanism for reporting on goals and activities of detachments, including community-oriented policing activities. However, from a review of these plans, it was often difficult to determine which goals and activities had been identified as priorities by the community or were related to community-oriented policing. Additional information will be needed to demonstrate the effectiveness of the program on both a detachment and a provincial level.

### Traffic Patrol

#### Recommendation

*To increase police visibility and enforcement action with a view to reducing collisions and resultant deaths, personal injuries, and property damage, the Ontario Provincial Police should:*

- *establish provincial standards with respect to adequate levels of traffic patrol and consider the advisability of increasing the numbers of dedicated highway patrol officers; and*
- *ensure that the patrol standards, once established, are met and that the results achieved are monitored and assessed.*

#### Current Status

The OPP informed us that increased police visibility on our highways and the reduction of motor vehicle

collisions are key priorities for it. As a result, subsequent to our *2005 Annual Report*, the Highway Safety Division was created with a key objective of establishing provincial patrol standards and systems to monitor, assess, and report on results achieved.

As of the time of our follow-up, the Highway Safety Division had established a provincial standard for traffic patrol of 80 hours per month for each dedicated road officer for the provincial highways within his or her jurisdiction. In addition, each regional headquarters has also developed individual patrol standards for the other roads within its area. These individual standards allow for flexibility for local conditions, such as workload, collision analysis, and traffic patterns. As well, 55 additional officers have been assigned to Provincial Highway patrol, and the OPP has reintroduced the black-and-white cruiser for highway patrol officers in an effort to increase police visibility on highways.

At the time of our follow-up, the OPP was using the new Results Driven Policing Accountability Framework as a method of monitoring and evaluating the results of its traffic activities. Traffic statistics are collected, analyzed, and discussed during monthly meetings with regional commanders, provincial commanders, and the Commissioner. Response strategies are to be developed when issues are identified—such as when there is on some highways a large increase in accidents—and resources may be redirected in an attempt to rectify the situation.

## Officer Training

### Recommendation

*To minimize property damage and to reduce the risk to officers and the public, the Ontario Provincial Police should:*

- *consider adding a driver-training component to its annual training program and providing remedial driver training where necessary;*

- *ensure that every officer receives firearms training at least once every 12 months, as required by regulation; and*
- *consider implementing centralized tracking for firearms training to ensure that the intent of required training is understood, that training is undertaken consistently across the province, and that accurate records are kept on the training undergone by each officer.*

### Current Status

At the time of our follow-up, the OPP had undertaken a number of initiatives with respect to driver training. These included:

- an increase in the amount of driver-training theory included in courses presented to new recruits;
- production of an educational DVD, entitled *Drive to Survive*, which focused on collisions and how they could have been prevented, and which was shown to all officers as part of the 2006 annual training program;
- identification of high-risk officer groups that are provided with additional and/or remedial driver training courses; and
- establishment of committees to review all serious collisions involving officers, with a view to making recommendations for necessary corrective actions.

The OPP informed us that these initiatives have helped to reduce by about 11% the number of collisions involving OPP vehicles over the past two years.

With respect to firearms training, a memorandum was sent to all regional headquarters in March 2007 providing clarification on the legal requirement for each officer to receive training at least once every 12 months if he or she is to carry a firearm while on duty. However, the OPP acknowledged that during 2007, the mandatory firearms training for some officers was still overdue.

At the time of our follow-up, the OPP was in the testing phase of its implementation of a centralized tracking system for firearms training. Final

implementation was expected by the end of 2007. In the meantime, a spreadsheet program that was being used to monitor adherence to firearms-training requirements until the new program is ready was found to be unreliable because necessary information was missing or out of date. Therefore, it could not be relied upon to track accurately the legislated requirement for annual firearms training.

## Security of Seized Items and Detachment Armaments

### Recommendation

*To preserve the security and integrity of seized property, drugs, and firearms and of detachment armaments, the Ontario Provincial Police should:*

- *comply with internal requirements with regard to restricting access to and maintaining adequate records of these items;*
- *when items have been approved for disposal, do so on a timely basis; and*
- *ensure that access to high-risk items such as seized drugs is supervised.*

### Current Status

The OPP required each regional headquarters to conduct a review of all detachment vaults and armaments between the fall of 2006 and early 2007 to determine if related policies were being adhered to, and to report the results of these reviews to General Headquarters.

The results of the reviews noted many instances of non-compliance with OPP vault and armament

procedures, findings that were consistent with those in our *2005 Annual Report*. In addition, where instances of non-compliance were identified, many detachments did not subsequently provide sufficient information on the extent of actions taken to rectify the situation.

## Quality-assurance Processes

### Recommendation

*The Ontario Provincial Police should assess whether its three quality-assurance processes as currently implemented meet its objectives for the quality-assurance function or whether these objectives can be achieved through a more effective process.*

### Current Status

The OPP informed us that the Quality Assurance Unit conducted a review of the quality assurance processes and, from that review, a web-based computer program was introduced to merge the Self-Audit Workbook and the Management Inspection Process into one seamless process.

Testing of the program at selected detachments is scheduled to be completed in the fall of 2007, with a full rollout of the program to be completed by year-end. It will be important to finalize policies and procedures concerning this process and responsibility for any follow-up action required before the system is rolled out.



## Chapter 4

### Section 4.13

Ministry of Health and Long-Term Care

# Recovery of Health Costs Resulting from Accidents

Follow-up to VFM Section 3.13, *2005 Annual Report*

## Background

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 27 staff (21 in 2004/05) pursues cost recoveries. In the 2006/07 fiscal year, the unit spent about \$1.8 million (\$1.9 million in 2004/05) to pursue an average of 13,000 active case files (about the same average number as in 2004/05) and recovered about \$13.7 million (\$12 million in 2004/05) net of legal costs.

Until 1990, the Ministry's right to recover such costs also extended to injuries arising from automobile accidents where a driver insured in Ontario was found at fault. As a result of 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 had 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.

In our *2005 Annual Report*, we reported that the ministries of Health and Long-Term Care and Finance could potentially recover twice as much, perhaps in excess of \$100 million a year more. However, to accomplish this, they required better information on recoverable health costs actually being incurred by the province. Our particular concerns were:

- The Ministry of Finance advised us that, in view of the instability of auto insurance rates and the potential negative effect on premiums, it had 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 was among the lowest of the provinces, despite the fact that Ontario's health costs had risen 70% since 1996. Our review of available information led us to conclude that the actual recoverable health costs incurred were considerably higher than what was being recovered from the annual assessment and that Ontario was recovering 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. These are, on average, 77% lower.
- The Ministry also needed 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.

We made a number of recommendations for improvement and received commitments from both the Ministry of Health and Long-Term Care and the Ministry of Finance that they would take action to address our concerns.

## Current Status of Recommendations

The Ministry of Finance has made significant progress in addressing our key recommendation relating to the inadequacy of amounts being recovered from the automobile insurance industry, in that it has increased its annual recovery by \$62 million to \$142 million. According to information received from the Ministry of Health and Long-Term Care, progress has also been made in addressing the other recommendations contained in our *2005 Annual Report*. We acknowledge that additional time will be needed by the Ministry to complete stakeholder consultations and legislative changes and to develop a methodology for health system cost data collection and analysis. The current status of action taken on our recommendations is as follows.

### HEALTH SYSTEM COSTS ASSESSMENT

#### Recommendation

*To help ensure that the “assessment of health system costs” meets its original objective, the Ministry of Finance, in conjunction with the Ministry of Health and Long-Term Care, should review the adequacy of the current assessment amount in recovering the cost of provincially funded health-care services provided to individuals injured in automobile accidents.*

#### Current Status

The Ministry of Health and Long-Term Care advised us at the time of our follow-up that it had provided the Ministry of Finance with information on available data on the cost of health services provided to individuals injured in automobile accidents. The ministries concluded that no one health database exists that would provide accurate data on which to establish an annual adjustment mechanism.

The Ministry of Finance conducted an interim review of the assessment, concluding that the

amount of the original assessment was inadequate. In September 2006, regulations were amended to increase the annual assessment of automobile insurers by \$62 million to \$142 million, an increase of about 78%.

In February 2007, the two ministries established a joint work group to conduct further analysis of the initial data sources for health information provided by the Ministry of Health and Long-Term Care to ensure that future assessment amounts adequately cover the cost of health services provided to individuals injured in auto accidents.

At the time of our follow-up, the work group was meeting to discuss the viability of using the existing data sets in order to establish an annual adjustment mechanism. The ministries have indicated that it will take some time to develop the appropriate mechanism.

## **COST OF PROVIDING HEALTH-CARE SERVICE TO ACCIDENT VICTIMS**

### **Recommendation**

*To help determine the recoverable amounts for the costs of health-care services provided to injured parties as a result of someone else's negligence, the Ministry should develop a cost-effective method for periodically collecting the necessary cost information to reliably estimate the cost to the health system.*

### **Current Status**

The Ministry of Health and Long-Term Care informed us that it had completed a review of its internal and corporate health databases as well as a review of systems used by other provinces with private automobile insurance delivery systems and similar assessment recovery processes for health costs. The review found no one data source that could identify all the health costs resulting from accidents. Each data source, such as costs incurred by hospitals and billings by physicians and home-care providers, required further careful analysis to estimate actual costs.

At the time of our follow-up, the Ministry was assessing the potential for its health-planning information system to assist in researching health-care costs for subrogation purposes. This information, combined with claims cost data that the Ministry had begun to collect from insurers, may provide a better basis for more reliably estimating accident-related health costs resulting from someone else's negligence.

## **IDENTIFICATION OF POTENTIAL SUBROGATION CASES**

### **Recommendation**

*To help improve the effectiveness of the notification process for potential subrogation cases, the Ministry should:*

- *assess the potential of using data contained in the health-care information systems to detect unreported subrogation claims;*
- *develop a process to efficiently collect and analyze insurance company claims data; and*
- *develop a stakeholder education strategy to reinforce awareness among lawyers and insurers of their legal obligations to report accidents resulting from the negligence of someone else.*

### **Current Status**

The Ministry indicated that it had undertaken three pilot projects to determine the usefulness of its internal databases for detecting unreported cases in which it could potentially recover health-care costs through subrogation. The first two databases were found not to be cost-effective. A review of the third database was expected to be completed by June 2007.

At the time of our follow-up, the Ministry was in the process of capturing insurance company claims data for accidents occurring from January 1, 2005, and expected to have sufficient information to analyze insurance company claims once two years of claims data had been collected.

The Ministry also indicated that, since our audit, it had on two occasions conducted educational sessions with stakeholder groups outlining the subrogation process. It had also met with representatives from the Ontario Trial Lawyers Association to develop draft industry-sector protocols for reporting claims to the Ministry. The draft protocols were presented to the trial lawyers at their October 2006 conference. The protocols, together with a formal education strategy, were expected to be finalized by December 2007.

## REVIEW OF SUBROGATION FILES

### Recommendation

*To help ensure that settlement decisions are appropriate and supported by adequate documentation, the Ministry should:*

- *update its policies to require management approval for settlements over a specified amount; and*
- *periodically conduct an independent review of case files, and document the results, including actions taken to correct any deficiencies.*

### Current Status

In 2005, the Ministry completed a review of the policies and operational procedures governing its recovery of funds in subrogation claim settlements. The review included consultation with other provincial subrogation (third-party liability) units on the procedures they employed. The updated policies and procedures were made available to all staff.

As a result of the operational review, a new organizational structure was developed and is expected to be fully operational by December 2007. The structure includes a formal delegation of authority for approving settlements for lesser amounts than the Ministry's claim.

The Subrogation Unit will also have a dedicated lawyer from the Ministry's Legal Services Branch who will review and provide advice on any contentious files, as well as all subrogation claims in excess of \$500,000.

## CALCULATION OF HOSPITAL COSTS

### Recommendation

*To help ensure that health-care costs are recovered as required by legislation, the Ministry should discontinue its practice of using the Interprovincial Hospital Billing rates to calculate costs for subrogation claims.*

### Current Status

We were informed by the Ministry that it had completed extensive research of legal and legislative archives and had confirmed that the current legislation did not support the use of the Interprovincial Hospital Billing rates for subrogation purposes.

The Ministry indicated that it was considering a number of options, including changes to the legislation that would clearly define hospital costs for subrogation purposes as the Interprovincial Hospital Billing rates plus a capital component, similar to the costing practice followed by several other provinces. Since any increase in hospital costs would have a significant effect on the insurance industry, the Ministry was developing a stakeholder analysis and consultation plan.

Until the legislation is amended, the Ministry is continuing to use the Interprovincial Hospital Billing rates excluding the capital component that is added by many other provinces.

## OTHER APPROACHES TO RECOVERING COSTS

### Recommendation

*To help ensure that the recovery of health-care costs is being made in an efficient and effective manner, the Ministry should formally analyze other methods of cost recovery and pursue initiatives already identified that may increase cost recoveries.*

### Current Status

The Ministry indicated that its Legal Services Branch had completed a first draft of proposed legislation amendments to enhance subrogation recovery by eliminating current legal barriers to claims and expanding subrogation rights to other

ministry programs such as the Assistive Devices Program.

The Ministry informed us that the Subrogation Operating System, implemented in April 2006, would contain insurance company claims data collected from third-party insurers. This would enable the Ministry to monitor trends and engage in other revenue-generating activities with private-sector casualty insurers.

## MONITORING INSURERS' COMPLIANCE WITH PAYMENT RESPONSIBILITY

### Recommendation

*To help ensure that the Subrogation Unit is effectively fulfilling its responsibility to monitor insurers' compliance with their payment responsibilities, the Ministry should develop:*

- *a formal communication plan to increase public and private awareness of the respective responsibilities of the province and insurers for certain health services associated with automobile accidents; and*
- *processes to collect information from the insurance industry and service providers to help identify those health costs that should have been borne by insurers.*

### Current Status

The Ministry informed us that by December 2007, a project team of senior subrogation staff would develop a communication plan for educating stakeholders and a strategy for requesting health-provider groups, such as Community Care Access Centres (CCACs), to identify individuals receiving services as a result of a motor vehicle accident. The Ministry expects to hire four senior analysts by June 2007 whose responsibilities will include conducting information and educational sessions with all stakeholders.

As part of the Ministry's consultation with representatives from the Ontario Trial Lawyers Association on ways to improve processes for

handling claims, mentioned earlier, draft protocols for reporting accident claims to the Ministry were created and presented at the Association's October 2006 conference.

In addition, information and education sessions have been conducted with stakeholder groups such as the CCACs and the auto insurance industry reminding them of the payment responsibilities for certain health benefits resulting from motor vehicle accident injuries.

The Ministry also indicated that it was reviewing published revenue information for casualty insurers in order to monitor industry trends and identify other potential sources of recoverable costs.

## MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

### Recommendation

*To help demonstrate that the Ministry is effectively fulfilling its goals for recovering health costs and for monitoring whether insurers' payment responsibilities are being adhered to, and to support the related decision-making process, the Ministry should develop measurable objectives and performance targets to track progress in achieving these goals.*

### Current Status

The Ministry advised us that with the implementation of the Subrogation Operating System in April 2006, it had begun to capture critical data, such as legal fees and costs required to support a management information system, and to track and compare recovery results over time. The Ministry was able to produce ad hoc reports using data collected for the 2006/07 fiscal year but had not yet established a routine reporting format.

The Ministry also informed us that measurable criteria, such as the percentage of cost recovered, had been developed and would be included in future performance development plans of Subrogation Unit staff. Further measures would be identified on an ongoing basis as more information is obtained.



## Chapter 4

### Section 4.14

Ministry of Government Services

# Temporary Help Services

Follow-up to VFM Section 3.14, 2005 Annual Report

## Background

The Ministry of Government Services (formerly the 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 2005 audit, about 4,400 people working in the Ontario government were not employees of the province. Most of these people were temporary help workers employed through private-sector temporary help agencies. In the 2006/07 fiscal year, government-wide expenditures on temporary help services were reported to be \$26 million (they were \$40.1 million in 2004/05, and, over the 10-year period from 1993/94 to 2003/04, they totalled \$460 million).

During our 2005 audit, we found lack of compliance with government procurement policies for temporary help services in four of the five ministries we selected for detailed testing. 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 had been competitively tendered. Over half of these arrangements resulted in payments 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 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 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.
- 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 ministry health-care programs and ministry administration instead.

## Current Status of Recommendations

On the basis of information provided by the Ministry of Government Services, we concluded that some progress had been made on all of the recommendations made in our *2005 Annual Report*, with substantial progress being made at the time of our follow-up on those dealing with compliance with government policies on the acquisition of temporary help services. Specifically, a number of new policies and procedures had been put in place to address many of our recommendations. As well, at the time of our follow-up, an enterprise-wide internal audit was under way to confirm that ministries were adhering to these new policies and procedures. The current status of actions taken on each of our recommendations is as follows.

## PLANNING FOR THE USE OF TEMPORARY HELP

### Recommendation

*The Ministry of Government Services should work with senior government managers to implement procedures to ensure proper planning and compliance with government policies, including the requirements to:*

- *engage temporary help only for those purposes allowed by government policy;*
- *document the justification for the use of temporary help;*
- *consider the availability of resources from other areas within the Ministry and across the government; and*
- *obtain the necessary approvals if temporary help is to be engaged for longer than six months.*

### Current Status

Since our audit was completed in 2005, the Ministry of Government Services has created the Temporary Help Services (THS) website, which consolidates human resource and procurement directives, policies, and procedures. In addition, at the time of our follow-up, the Ministry of Government Services had developed a checklist to be used by all Ontario Public Service managers when planning for, acquiring, and managing temporary help services. The document, called *Justification and Checklist for Temporary Help Services*, must be completed and retained for all temporary help service engagements and must include all required information and documentation as outlined in the justification and checklist sections. The documentation should provide a clear picture of the temporary help services acquisition process followed, the rationale for decisions, and the extent of compliance with applicable directives, policies and procedures, and collective agreements.

The first section of the checklist requires ministries to indicate the reason the services are needed, to state that other options were considered, and to give the duration of the assignment. The checklist

requires a manager's written sign-off certifying that proper controls were exercised as part of the acquisition.

Managers are now also required to complete and attach to the checklist an additional document, entitled *Rationale for Temporary Help Services Over Six Months*, in situations where the temporary help engagement is expected to exceed six months or if a contract is renewed and the total duration exceeds six months. The document must be approved and authorized in accordance with a ministry's delegation of authority.

## ACQUISITION OF TEMPORARY HELP SERVICES

### Competitive Acquisition, Contracting, Comparison of Temporary Help Service Costs, and Potential Conflicts of Interest

#### Recommendation

*To ensure that temporary help services are acquired in accordance with established government procurement policies and at the best price, the Ministry of Government Services should work with all government ministries to ensure that:*

- *the competitive selection requirements for the procurement of goods and services are adhered to and, where required, an open, fair, and transparent process is followed;*
- *appropriate standard contracts or supporting documentation is in place for all temporary help arrangements to define the rights and responsibilities of the ministry and the vendor, the nature of the assignment, the expected duration, and the cost; and*
- *the procurement procedures that were designed to identify and deal with potential conflict-of-interest situations are complied with.*

#### Current Status

The Ministry of Government Services informed us that in its attempt to obtain temporary help

workers at the best price, it had its Supply Chain Management Division establish in March 2006 a two-year corporate vendor-of-record arrangement whose use is mandatory for 15 administrative and clerical categories of temporary help services. Twenty-one suppliers were selected to provide administrative and clerical services in 26 locations across the province. According to the *VOR User Guide*, ministries can select any vendor of record for contracts valued at less than \$25,000, but it is recommended that they request proposals from at least three vendors; for contracts estimated to be valued at between \$25,000 and \$249,999, ministries must invite at least three vendors of record to submit bids or proposals; and for contracts estimated to be valued at between \$250,000 and \$749,999, ministries must invite at least five vendors of record to submit bids or proposals.

Administrative and clerical services estimated to be worth more than \$750,000 and temporary help services not available through a vendor-of-record arrangement must be acquired in accordance with the Management Board of Cabinet Procurement Directive for Goods and Services. The Ministry of Government Services has reiterated these government-wide requirements to management through the Temporary Help Services website and manager information packages that were distributed to all ministry controllership offices in December 2005 and again in June 2006 following the establishment of the vendor-of-record arrangement.

The Ministry of Government Services also informed us that each vendor of record has a signed master agreement with the government, defining the rights and responsibilities of the ministries and the vendor, including maximum billing rates, obligations regarding conflict of interest, confidentiality agreements for the vendor's workers, and security clearances when required. In addition to the master agreement, the ministry requesting services and the selected vendor are required to enter into a service level agreement that describes the specific

deliverables, assignment duration, and ceiling cost and identifies personnel to be used. A service level agreement is also required for temporary help services not acquired through a vendor-of-record arrangement.

To help ensure that ministries follow the correct acquisition process, the Ministry of Government Services has included a section on procurement and contracting in the *Justification and Checklist for Temporary Help Services* (the document that must be completed for all temporary help service engagements). In addition, we were informed that internal audit was scheduled to commence a government-wide audit in March 2007 to assess compliance with policies and directives relating to the procurement of temporary help services.

In support of the acquisition of temporary help services through the current vendor-of-record (VOR) arrangement, the Ministry was planning to launch a new government-wide electronic tool called TempLink in the fall of 2007. TempLink was to be an on-line tool for acquiring temporary help services through the VOR arrangement; it would create request-for-service documentation with on-line approvals and reminders of the procurement rules and human-resources plans.

## Use of Former Government Employees

### Recommendation

*To help ensure compliance with pension legislation intended to prevent former employees from simultaneously receiving a full pension and employment income from the government, the Ministry of Government Services should assess the feasibility of developing government-wide procedures to obtain and report to the relevant pension boards information on former employees who return to work for the government.*

### Current Status

The Ministry advised us that it had assessed the feasibility of developing government-wide procedures to help ensure compliance with pension legislation

with respect to former employees simultaneously receiving a full pension and employment income from the government. It indicated that it, together with the Ontario Pension Board and the Ontario Public Service Employees Union (OPSEU) Pension Trust, had tried to identify information needs and procedures that could be put in place to identify and deal with re-employed pensioners and had reviewed the current re-employment rules for consistency with the requirements of the *Pension Benefits Act* and the *Income Tax Act*.

The Ministry stated that both the Ontario Pension Board and the OPSEU Pension Trust had advised it that they did not have the means and capacity to police retirees who return to work and continue to receive a pension. They stated that the onus is on the retiree who returns to work to notify the re-employing ministry that he or she is also receiving a pension.

At the time of our follow-up, because of a number of concerns about privacy issues and the release of information, the Ministry had decided not to implement procedures for informing the pension boards that the government had engaged former employees. The Ministry said that, instead, a variety of measures had been taken to inform retirees and pensioners that they are obliged to abide by the re-employment rules. These measures include information conveyed in pre-retirement sessions, questions and answers on pension websites, and information sheets provided to all new hires.

## Temporary Employees Acquired with Transfer-payment Funds

### Recommendation

*To ensure that ministry staff are employed and accounted for in accordance with the spirit and intent of government and Public Accounts financial reporting policies, the Ministry of Government Services should work with senior ministry managers*

to develop specific policies and procedures with respect to secondments from transfer-payment organizations.

### Current Status

The Ministry of Health and Long-Term Care informed us that it is developing a policy to help address the use of complementary workers, including those acquired via transfer-payment arrangements, and that it expects to release this policy in the third quarter of the 2007/08 fiscal year. In the meantime, the Ministry indicated, it had expanded its tracking and reporting of such arrangements and was centralizing the approval process.

The Ministry of Health and Long-Term Care had made the commitment in 2005 to reduce the number of transfer-payment arrangements. However, according to information provided, the number of such employees working at the Ministry had increased from 150 at the time of our audit in 2004 to over 170 in May 2007. Most of the current temporary employees hired through transfer-payment agencies were hired after our audit. The Ministry stated that the increase is due to expansion of the health-care agenda, staff turnover, the need for specialized expertise, and other factors arising from a reorganization of the Ministry.

## MANAGING THE USE OF TEMPORARY HELP

### Recommendation

*In order to ensure the responsible and effective management of temporary help services, the Ministry of Government Services should work with senior ministry staff to implement procedures to ensure that:*

- *the performance of temporary help agencies and their employees is assessed periodically and, as required, at least annually;*
- *all individuals working for the government sign the required oath of confidentiality and, for particularly sensitive functions, more extensive background checks are performed;*

- *rates charged and services provided by suppliers of temporary help services are matched against purchase orders and contracts prior to payment; and*
- *the cost of temporary help services is recorded accurately in the accounting records.*

### Current Status

The *VOR User Guide* strongly advises that managers complete and submit a performance evaluation form to the Supply Chain Management Division of the Ministry of Government Services within 15 days of the end of a service level agreement. Completion of a contract performance assessment also appears on the *Justification and Checklist for Temporary Help Services* and is required for both vendor-of-record and non-vendor-of-record engagements. The Ministry of Government Services informed us that vendors must also submit to the Supply Chain Management Division information from their clients regarding their satisfaction with the performance of their temporary agency employees. The intent is that findings will be distributed to ministry finance offices and used in procurement planning for temporary help services in future.

The master service agreements with the new vendors of record include confidentiality requirements for temporary agency employees working in the government. Each temporary help worker must sign a confidentiality agreement before he or she starts a work assignment with a ministry. The *VOR User Guide* also states that some temporary help staff may be required to undergo security checks for work undertaken in specific offices and program areas such as the Office of the Registrar General and health cards. All requests for security checks are sent to the Emergency Management and Security Branch of the Ministry of Government Services. The *Justification and Checklist for Temporary Help Services* requires that managers sign off to demonstrate that ministries obtained appropriate security clearance and signed



confidentiality agreements from temporary help service workers.

In a new VOR pricing guide for temporary help services, the Ministry of Government Services reminds ministries that the rates quoted by suppliers of temporary help services should be the same as those outlined in the vendor-of-record master service agreement and that those are the maximum rates that can be charged—that is, they cannot be increased. The pamphlet also states that overtime shall be paid only for hours in excess of 44 hours a week. Included in the *Justification and Checklist for Temporary Help Services* are requirements to ensure that invoices have been reviewed for accuracy and appropriateness before payment and that the total value of invoices does not exceed the maximum value of the contract.

In the information packages sent to managers in 2005 and 2006, the Ministry of Government Services highlights the further requirement that temporary help agency expenditures must be charged to one of two salary-and-wages expense accounts. One account is for the cost of temporary help services acquired to fill short-term vacancies, and the other is for the cost of temporary help services acquired to address peak workload.

In addition, at the time of our follow-up, internal audit had scheduled for March 2007 an enterprise-wide audit to evaluate whether temporary help services have been acquired with due regard to relevant Management Board of Cabinet directives.

## GOVERNMENT-WIDE TEMPORARY HELP SERVICES POLICIES

### Assessing Alternatives to Temporary Help

#### Recommendation

*To ensure the best value for the money expended, the Ministry of Government Services should conduct a formal assessment of the various alternatives for staffing short-term temporary assignments, and periodically evaluate the process selected to determine*

*if the expected benefits and/or cost savings are being realized.*

#### Current Status

The Ministry of Government Services informed us that it hired an outside consultant to conduct an analysis of temporary employment services within the Ontario Public Service (OPS). In 2006, the consultant reported and made recommendations after researching the current status of temporary services in the OPS, related public and private-sector organizations, and the temporary help industry.

The Ministry of Government Services informed us that it is developing an on-line vendor-selection tool for temporary help services, called TempLink, that was to be implemented in the fall of 2007. This tool was to provide detailed reports on service usage, spending, vendor utilization, savings (that is, frequency of using lowest-priced vendor), and so on. The Supply Chain Management Division will analyze the information and report to each ministry's Chief Administrative Officer. The reports will be used for enterprise-wide temporary help procurement planning purposes.

### Workforce Planning

#### Recommendation

*To ensure effective monitoring and control of the government workforce, the Ministry of Government Services should:*

- *include non-government employees in its workforce plans and policies; and*
- *track the approved versus actual staff complement for each ministry.*

#### Current Status

The Ministry stated that the Ontario Public Service (OPS) had completed a data cleanup of the Workforce Information Network (the software system for managing human resources across the OPS) and, as a result, the Ministry had, at the time of our follow-up, a more accurate picture of the

government workforce. The Ministry also stated that it had greater capacity to identify temporary help needs and the mechanisms to acquire human resources appropriately. With respect to obtaining information on the number of temporary help services employees working in the OPS, the Ministry indicated that arrangements were being made to enhance the acquisition and tracking of temporary help through the TempLink tool.

The Ministry also advised us that it had begun tracking and comparing full-time-equivalent (FTE) staff limits, which represent the maximum approved staff levels, with the actual staff complement for each ministry at year-end. According to information provided by the Ministry, the government as a whole was within approved staffing limits.

# Public Accounts of the Province

## Introduction

The Public Accounts for each fiscal year ending March 31 are prepared under the direction of the Minister of Finance, as required by the *Ministry of Treasury and Economics Act (Act)*. The Public Accounts comprise the province's annual report, including the province's consolidated financial statements, and three supplementary volumes of financial information.

The consolidated financial statements of the province are the responsibility of the government of Ontario. This responsibility encompasses ensuring that the information in the statements, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that a system of control, with supporting procedures, is in place to provide assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

Our Office audits the consolidated financial statements of the province. The objective of our audit is to obtain reasonable assurance that the government's financial statements are free of material misstatement—that is, that they are free of significant errors or omissions that may affect decisions of users relying on these statements. The

consolidated financial statements, along with our Auditor's Report on them, are included in the province's annual report.

The province's annual report contains, in addition to the province's consolidated financial statements, a discussion and analysis section that provides additional information regarding the province's financial condition and its fiscal results. As well, this year's annual report for the fiscal year ended March 31, 2007, provides more performance information than in previous annual reports in an effort to describe what the government accomplished in the fiscal year with the taxpayer revenues it raised. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and to the public.

The three supplementary volumes of the Public Accounts consist of the following:

- Volume 1, which contains the ministry statements and a number of schedules providing details of the province's revenues and expenses, its debts and other liabilities, its loans and investments, and other financial information.
- Volume 2, which contains the audited financial statements of significant provincial Crown corporations, boards, and commissions whose activities are included in the government's consolidated financial statements,

as well as other miscellaneous financial statements.

- Volume 3, which contains detailed schedules of ministry payments to government suppliers, service contractors, and transfer-payment recipients.

Our Office reviews the information in the province's annual report and in Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council on or before the 180th day after the end of the fiscal year. The three supplementary volumes must be submitted to the Lieutenant Governor in Council before the 240th day after the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Assembly or, if it is not in session, make the information public and then, when the Assembly resumes sitting, lay it before the Assembly on or before the 10th day of that session.

In its 2007 Budget, the government noted that it had been working to improve the timeliness of the province's financial reporting by advancing the dates of the release of its budget and annual report. We are pleased with the Ministry of Finance's efforts in this regard. For example, in contrast with previous years, both the 2006 and 2007 Budget Documents were tabled in advance of the April 1 commencement of the province's fiscal year. As well, the government has over the last few years tabled its annual report and consolidated financial statements about a month earlier than has typically been the case over the last decade. This year, the government released its 2006/07 Annual Report, including its consolidated financial statements, one week earlier than last year. These documents, along with the three supplementary Public Accounts volumes, were released on August 17, 2007.

## The Province's 2006/07 Consolidated Financial Statements

The *Auditor General Act* requires that I report annually on the results of my examination of the province's consolidated financial statements. I am pleased to report that my Auditor's Report to the Legislative Assembly on the consolidated financial statements for the year ended March 31, 2007, is clear of any reservations and reads as follows:

To the Legislative Assembly of the Province of Ontario

I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2007, and the consolidated statements of operations, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2007, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[signed]

Toronto, Ontario  
July 23, 2007

Jim McCarter, CA  
Auditor General  
Licensed Public Accountant

## Enhancing Transparency in Financial Reporting

### INTRODUCTION

Enhancing transparency in financial reporting is important to strengthen public accountability for government spending. There have been several government initiatives this year relating to its public accounts and budget-related documents that in our view have enhanced this transparency. In this section, we provide details of these initiatives and discuss areas where we believe further improvements can be made.

### AUDITOR GENERAL REVIEW OF THE 2007 PRE-ELECTION REPORT ON ONTARIO'S FINANCES

One of the most significant government initiatives to improve the transparency of government financial reporting was the release this spring of its *2007 Pre-Election Report on Ontario's Finances*.

The *Fiscal Transparency and Accountability Act, 2004* (Act) requires, among other things, that the Minister of Finance release a report on Ontario's

finances in advance of a provincial election. The purpose of this report is to provide the public with detailed information to enhance its understanding of the province's estimated future revenues, expenses, and projected surplus or deficit for the next three fiscal years. As a provincial general election had been called for October 10, 2007, the government released its *2007 Pre-Election Report on Ontario's Finances* in April of this year.

As required by the Act, the government's report provided information on:

- the macroeconomic forecasts and assumptions used to prepare the government's fiscal plan;
- an estimate of Ontario's revenues and expenses, including estimates of the major components of the revenues and expenses;
- details of the budget reserve; and,
- the ratio of provincial debt to Ontario's gross domestic product.

The fiscal plan on which the pre-election report was based was set out in the 2007 Ontario Budget. However, the report also provided an update on significant events that happened after the 2007 Ontario Budget figures were finalized.

As required under the Act, I reviewed this report to determine whether it was reasonable and released a report describing the results of my review.

Overall, we concluded that the government's estimated revenues, expenses, and surplus or deficit, as well as the assumptions supporting them, were reasonable, although we cautioned that the level of assurance we could provide became less certain as the forecast data moved further into the future. We further noted that the government's fiscal-planning process incorporated a number of prudence measures that made it more likely that any differences between estimated and actual results were more likely to exceed rather than fall short of fiscal targets.

We found the government's pre-election report to be an informative document that provided



extensive information about Ontario's expected fiscal situation over the next three years (2007/08 to 2009/10). It outlined the government's estimated future revenues and expenses by major category, along with the assumptions about Ontario's economy that supported the estimates made. As well, the report described the ways in which specific economic and revenue estimates were sensitive to unforeseen changes, and the estimated impact that changes in these assumptions could have.

### REPORTING PERFORMANCE-BASED INFORMATION IN THE ANNUAL REPORT

The March 31, 2007, Annual Report and Consolidated Financial Statements of the province included certain performance-based information as part of its discussion and analysis of 2006/07 program expenses. Specifically, in comparing actual 2006/07 program expenses against those estimated in its budget, the government provided details on some of the activities it had undertaken and the outcomes it had achieved, consistent with guidance from the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants for improving the reporting of government performance information. We believe this represents a good step forward in providing users of the province's annual report and consolidated financial statements with useful information on the nature and purpose of the government's activities. Nevertheless, we believe this performance information can be further improved.

In our view, the government should continue to refine this performance information by indicating more directly the extent to which key performance targets were achieved relative to the targets established at the beginning of the year. The annual report could then be a forum for elaborating on both those key areas where performance targets were met or exceeded, and those where performance may have fallen short, along with the reasons

why. We believe this will provide more objective information about government performance. To illustrate with an example: in its 2006/07 Annual Report, the government noted that "almost all children in junior kindergarten to Grade 3 are now in classes of 23 or fewer students." While this information is useful, it would be even more informative if this result was compared against a pre-established publicly stated target for this measure.

### ON-LINE ACCESS TO VOLUMES 1, 2, AND 3 OF THE PUBLIC ACCOUNTS

In past years, the Ministry of Finance website did not include postings of all its published public-accounts volumes for public perusal. While the province's annual report, which includes its consolidated financial statements of the province, has historically been provided, the more detailed information in the three supplementary volumes has not. We raised this issue with ministry officials earlier this year and are pleased to report that this issue has now been addressed. Specifically, the Ministry this year publicly posted on its website the March 31, 2007, Annual Report and Consolidated Financial Statements, along with the three supplementary Public Accounts volumes. In addition, it posted this information for the past several years for comparative purposes.

### REPORTING OF HEALTH-TRANSFER PAYMENT EXPENDITURES IN THE 2008 ESTIMATES

Local Health Integration Networks (LHINs) are statutory not-for-profit corporations and Crown agencies established under the *Local Health System Integration Act, 2006* (Act). There are 14 LHINs across the province, each responsible for planning, integrating, and funding local health services within its geographic area. While LHINs exercise

their authority under the Act, additional responsibilities and performance expectations are set out in Memoranda of Understanding and Accountability Agreements they enter into with the Ministry of Health and Long-Term Care.

Beginning in the 2007/08 fiscal year, LHINs will be responsible for funding and overseeing the operations of approximately 151 public hospitals, 14 Community Care Access Centres, 650 community-support organizations, 400 mental-health or addiction agencies, 54 community health-care centres, and 610 long-term-care homes. LHINs will help determine the allocation of approximately \$19 billion in health-care funding to these health-service providers, and will administer some 1,900 service agreements with them.

The government's expenditure estimates, tabled in the Legislature shortly after the Budget, set out the details of the government's operating and capital spending plans for the year. In this regard, we noted that the estimates for the Ministry of Health and Long-Term Care for the 2007/08 fiscal year included transfers to LHINs totalling approximately \$19 billion, which they will in turn pay to health-service providers. Unlike past years, however, there is no public information breaking down this planned funding by health-sector component—for example, operations of hospitals, Community Care Access Centres, or local addiction programs.

The government advised that since the respective LHINs will now be responsible for allocating their funding across the various components to meet local health-care needs, a general funding envelope for LHINs in the government's expenditure estimates best reflects their flexibility to allocate funds as they see fit. However, given the significance of total LHIN funding, we believe that the year-end financial reporting should disclose LHIN expenditures by the individual health-care-sector components.

## Accountability Relating to Year-end Spending

In our annual reports of prior years, and in our recent reviews of the *2007 Pre-Election Report on Ontario's Finances* and the Ministry of Citizenship and Immigration's year-end grants, I have expressed concerns regarding the government's loosening of the normal accountability controls relating to year-end spending.

The Ministry of Finance has explained that over the course of a year, revenue, expense, and surplus or deficit estimates evolve, and the government's fiscal plan is updated regularly. If and when the government becomes convinced that the fiscal outlook is indeed better than originally estimated, it can further support its public-policy objectives by using these unexpected surpluses to increase transfers to its service-delivery partners, such as municipalities. However, an improved outlook typically cannot be confirmed until close to the end of the fiscal year, which means these new transfers must be completed quickly.

In the 2006/07 fiscal year, revenues exceeded the level estimated in the government's 2006 Budget by \$4.7 billion. This allowed the government to make a number of year-end transfers while also allowing it to significantly over-achieve on its original fiscal target. Specifically, just prior to or on March 31, 2007, the government paid out approximately \$1.4 billion for a number of year-end initiatives, including:

- \$706 million in grants for public-transit projects and roads;
- \$210 million in grants to universities to alleviate immediate cost pressures;
- \$127 million in grants to municipalities for new affordable housing or to rehabilitate existing affordable housing;
- \$70 million in grants to rural and small communities for various infrastructure projects

related to roads, bridges, water, waste water, and community investments;

- \$48 million in grants to support social and community infrastructure improvements, including hospices, recreation centres, social-services agencies, and developmental services facilities; and
- \$288 million in grants to various other service-delivery partners.

As in past years, none of these transfers had been included in the government's Budget as planned expenditures for the 2006/07 fiscal year. The year-end transfer-payment arrangements were also primarily with organizations outside of government and, as a result, the government expensed almost all of the \$1.4 billion of these transfers in the fiscal year ended March 31, 2007. These end-of-year transfers accordingly reduced the surplus for the 2006/07 fiscal year by approximately \$1.4 billion more than would otherwise have been the case.

While nearly all of the transfer payments were made to organizations or municipalities with which the province has had long-standing relationships, in the majority of cases, normal accountability and control provisions were reduced or eliminated to ensure that the transfers would qualify for immediate expensing prior to the March 31, 2007, fiscal year-end. Although this issue is of concern, it is important to recognize that it has no impact on our audit opinion on the government's financial statements, since the year-end transfers are accounted for in accordance with generally accepted accounting principles.

One theme that has become apparent is that the current interpretation of the existing accounting standard on transfers is, to a large extent, influencing the lack of accountability and control provisions placed on the year-end grants.

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants has established a task force, of which I am a

member, to study accounting and other issues relating to government transfers. Partly as a result of the deliberations of the task force on possible changes to the existing standards, and our concerns in this area, I wrote to the Deputy Minister of Finance on August 15, 2007, to indicate that a reinterpretation of the existing accounting standard should be jointly considered. Specifically, we believe that it may be possible for the government to maintain many of its normal controls and accountability provisions for year-end grants while still meeting the accounting criteria for immediate expensing of these transfers. We are currently working with the Ministry of Finance to ensure that these issues are addressed well in advance of the next fiscal year-end.

While this work may result in enhanced accountability and control provisions for year-end transfers, it will not address our concern, expressed in previous Annual Reports, with the current PSAB accounting standard's requirement that end-of-year transfers to organizations outside of government be recorded as expenses even if they have not yet been used to provide services to the public. These transfers were primarily reflected in past years as health-care and education expenses and, more recently, as municipal-capital and post-secondary-education expenses. But, as mentioned earlier, as of the end of the fiscal year in which the transfers were made, the organizations receiving the transfers had not spent any of the money providing services.

Any enhanced control provisions will also not affect the tendency to make year-end transfers to organizations outside the government financial-reporting entity, such as municipalities—whereas in the past, the bulk of such transfers went to hospitals and school boards, since they were then outside the reporting entity.

While it is not within the purview of the Auditor to question where taxpayer funds are spent, I am concerned when the accounting rules have such an overriding impact on which recipients receive the bulk of any year-end spending.

## The Government Reporting Entity

### INTRODUCTION

The province's consolidated financial statements include considerably more than just government ministries. In fact, numerous other Crown agencies, Crown corporations, and broader-public-sector organizations, including hospitals, school boards, and colleges, are also included in the government's financial "reporting entity." Inclusion in this reporting entity essentially means that the organization's operating results, and its assets and liabilities, are incorporated along with government ministry operations into the government's financial statements so that these results and balances form part of both the government's annual deficit or surplus, and its accumulated deficit or surplus.

In determining which organizations to include in its reporting entity, the government follows accounting standards recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. In August 2003, PSAB revised its standard related to the government reporting entity for fiscal years beginning on or after April 1, 2005. Under the revised standard, the decision on whether to include an organization in the government reporting entity is based on one overall consideration: the extent of government control over the organization's activities. In essence, if a government controls an organization, the organization should be included as part of the government reporting entity. The government brought hospitals, school boards, and colleges into its reporting entity under this new standard.

### CONSOLIDATION INFORMATION REQUIREMENTS AND TIMELINES

Much of the consolidation work is carried out by the ministries responsible for the new sectors being consolidated—that is, the ministries of Health and Long-Term Care; Education; and Training, Colleges and Universities—under the direction of the Ministry of Finance (Ministry), which has overall responsibility for the preparation of the consolidated financial statements. In our *2006 Annual Report*, we noted a number of instances where improvements to the overall consolidation process were needed to enable the government to continue to meet its goal of improving the timeliness of its financial reporting.

This year, we noted a number of improvements in this area, including:

- improved guidance from the Ministry of Finance that enhanced the clarity of its consolidation-information requirements;
- more accurate and complete information submissions from the organizations in these sectors; and
- an improvement in the account reconciliation and consolidation analysis work conducted by the three ministries responsible for these sectors.

### USE OF SPECIFIC REVIEW PROCEDURES

Consolidating Ontario's school boards into the province's consolidated financial statements presents unique challenges for two reasons. First, school boards have a fiscal year-end of August 31, which does not coincide with the province's March 31 fiscal year-end. As well, school boards presently do not record the value of their tangible capital assets in their own financial statements. To address this, school boards have been asked to submit financial information for the same fiscal period as the province, and to provide sufficient information on their capital expenditures and assets to allow the government to include

school-board capital in its consolidated financial statements. The auditors of each school board performed specific review procedures on this additional submitted information, and we relied upon their work in conducting our audit of the consolidation process. We encourage the continued use of these review procedures as they provide a timely and cost-effective basis of assurance on the amounts reported by the school boards.

## LOOKING AHEAD

Under the new reporting-entity standard, PSAB permits governments to consolidate their broader-public-sector (BPS) organizations on a modified-equity basis of accounting until the 2008/09 fiscal year. Under this treatment, the BPS organizations' assets and liabilities are combined and the resulting net asset position is included as a single line—"net assets of Broader-Public-Sector Organizations"—on the province's consolidated statement of financial position. Likewise, earnings of these sectors are included as a single line in the expenses-by-ministry schedule and combined with sector expenses in the province's Consolidated Statement of Operations.

For all fiscal years that commence on or after April 1, 2008, PSAB standards will require BPS organizations to be fully consolidated. Under full consolidation, the government will have to ensure that the financial activities of BPS organizations are consolidated using the same accounting policies as the province, and that each of their revenue and expense items, including third-party restricted revenues, as well as each of their organization's assets and liabilities, is combined with the corresponding item in the province's consolidated financial statements. One key consequence of this line-by-line approach will be that the \$29.7 billion in BPS tangible capital assets and its \$12.6 billion of net debt will not be netted against each other. Instead, they will be separately included and reported as part of the province's tangible capital assets and net debt, respectively.

The government has indicated in past budgets that it is not convinced that this line-by-line consolidation of the BPS will provide better transparency and accountability in its financial reporting. Rather, it believes that the current one-line consolidation provides for more understandable reporting to the public and more fairly reflects the greater autonomy that these BPS organizations have compared to the organizations that the province currently fully consolidates. We understand the Ministry has been consulting with PSAB on this matter. As well, the Ministry, along with its colleagues in other jurisdictions, has formed a joint working group with PSAB to explore this and other matters relating to accounting standards.

Notwithstanding, given the existing standard and the April 1, 2008, application date, we believe it would be prudent for the Ministry to conduct a review of the additional information from the BPS that would be required to make line-by-line consolidation possible, ensure conformity with the province's accounting policies, and deal with a number of presentation and disclosure issues that line-by-line consolidation raises.

## Stranded Debt of the Electricity Sector

In previous annual reports, we have discussed the electricity sector and the government's efforts to retire the stranded debt of the old Ontario Hydro. In essence, stranded debt refers to the amount of debt and other liabilities of Ontario Hydro that the government concluded could not be serviced in a competitive environment following the restructuring of the electricity sector on April 1, 1999. At the time, the government split the old Ontario Hydro into several new companies, including Ontario Power Generation, Hydro One, and the Ontario Electricity Financial Corporation (OEF), which is responsible for managing and paying down the



debt and certain other liabilities of the former Ontario Hydro.

The government has developed a long-term plan to retire the stranded debt solely from dedicated revenue streams of the electricity sector, including profits earned by the Ontario Power Generation and Hydro One corporations. The plan is updated regularly to reflect current information, and the revision of economic assumptions about Ontario's electricity-sector performance. The government currently estimates that the OEFC's obligations will be defeased in the years between 2012 to 2020. As illustrated in Figure 1, there was a significant reduction in the amount of stranded debt during the 2006/07 fiscal year, the second significant drop in as many years.

Two factors have contributed to the improvements over this two-year period. First, Ontario Power Generation's average revenue limit of 3.8 cents/KwH on about three-quarters of its output, established under the Market Power Mitigation Agreement, was replaced on April 1, 2005, with an average regulated price of 4.5 cents/KwH for its nuclear and large hydroelectric output, and a higher revenue limit of 4.7 cents/KwH on most of its unregulated output. The regulated prices and transitional revenue limit contributed to Ontario Power Generation reporting higher earnings since that time, which, through payments to the government in lieu of provincial taxes, were flowed to the OEFC to service the stranded debt. As well, the profits of Ontario Power Generation and Hydro One combined totalled \$914 million for the fiscal year ended March 31, 2007, which was \$394 million more than the province's annual financing cost of \$520 million for its equity investment in Ontario Power Generation and Hydro One. This \$394-million difference exceeded the \$327 million in shortfalls from prior years and, accordingly, the net excess of \$67 million contributed to the reduction of stranded debt.

Secondly, as we noted in our *2006 Annual Report*, the OEFC started effective January 1, 2005, to receive actual contract prices for power

**Figure 1: Electricity Sector Stranded Debt, April 1, 1999–2006/07**

Source of data: Ontario Electricity Financial Corporation

Fiscal Year End	(\$ billion)
at April 1, 1999	19.4
1999/2000	20.0
2000/01	20.0
2001/02	20.1
2002/03	20.2
2003/04	20.6
2004/05	20.4
2005/06	19.3
2006/07	18.3

sold under long-term power-purchase contracts entered into by the old Ontario Hydro. Originally, a \$4-billion liability had been recorded to reflect the OEFC's commitment under these contracts to purchase power at prices expected to exceed the price that would be received from ratepayers. The government determined, and we agreed, that the most cautious and prudent accounting approach to dealing with this liability was to eliminate it over time. For the 2006/07 fiscal year, the combination of the amortization of this liability and the selling of the power at contract cost resulted in revenue increases of about \$400 million, which were applied to reduce the stranded debt.

## Accounting for Tangible Capital Assets

### GOVERNMENT TANGIBLE CAPITAL ASSETS

In January 2003, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants revised a 1997 standard relating to the recognition, measurement, amortization, and presentation of tangible capital assets in government financial statements. Until recent

years, most governments, including that of Ontario, had charged 100% of the cost of tangible capital assets to operations as an expense in the year such assets were acquired or constructed. The revised standard recommends that governments, in a manner similar to the approach taken in the private sector, record acquired or constructed capital items as assets and amortize their cost to operations over their estimated useful lives.

The government adopted a phased-in approach to these PSAB recommendations. In the 2002/03 fiscal year, it valued and capitalized the province's land holdings, buildings, and transportation infrastructure and accordingly recognized, for the first time, over \$13 billion of its net capital investments in its financial statements. This accounts for an estimated 90% or more of the government's total tangible capital assets.

The government has indicated that it intends to complete the valuation of its remaining tangible capital assets, such as its computer systems, vehicles, and equipment, by the 2009/10 fiscal year.

## SCHOOL-BOARD TANGIBLE CAPITAL ASSETS

Ontario's school boards and school authorities do not currently capitalize their investments in land, buildings, and other tangible capital assets. Rather, they expense such expenditures immediately. Because the province now capitalizes its investments in land, buildings, and public infrastructure, to ensure consistency upon consolidation of the school boards in the province's consolidated financial statements, the government completed a project during the 2005/06 fiscal year to establish historical cost values for tangible capital assets owned by Ontario's school boards and school authorities. As a result, net tangible capital investments in this sector of \$15.7 billion are now reflected in the province's consolidated financial statements. Based on our review of the project and

the methodologies employed, we concluded that the values arrived at were reasonable. In future years, the accuracy of the school-board capital-asset information will steadily improve as all capital assets are recorded, the opening book values are amortized, and assets are gradually replaced.

Effective with fiscal years starting January 1, 2009, PSAB standards require that school boards reflect these investments in their own financial statements. For this purpose, we expect that school boards and auditors of school boards may want to rely on the government's valuation exercise in establishing the initial tangible capital-asset values to be included in their financial statements, and on the audit work we performed on these values. Our Office is working with the Ministry of Education to facilitate this process.

## New and Proposed Accounting Standards

Accounting standards specify how transactions and other events are recognized, measured, presented, and disclosed in government financial statements. The objective of such standards is to meet the needs of users of financial statements by providing, in a consistent manner, the information needed for accountability and decision-making.

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) is an independent body with the authority to set accounting standards for the public sector in Canada. It also works to serve the public interest by providing guidance for financial and other performance information reported by the public sector. The government of Ontario prepares its consolidated financial statements in accordance with PSAB standards.

The more significant issues PSAB has been dealing with over the last year that may affect the

province's consolidated financial statements and reporting practices in future years are briefly outlined in the following sections.

## INTRODUCTION TO PUBLIC-SECTOR ACCOUNTING STANDARDS

The CICA now classifies financial reporting entities by one of three major categories: publicly accountable enterprises, non-publicly accountable enterprises (or private enterprises), and not-for-profit organizations. As part of its strategy to harmonize Canadian standards with international standards, the CICA is moving to ensure that financial-reporting standards for publicly accountable enterprises conform to international financial reporting standards (IFRS) issued by the International Accounting Standards Board, and is targeting a changeover date for fiscal periods beginning on or after January 1, 2011, after which the accounting standards in the CICA *Handbook – Accounting* are expected to be identical to IFRS.

PSAB has been assessing the effect of this harmonization strategy on governments, and in this regard has released an Exposure Draft proposing to revise its introduction to public-sector standards. The revised standard would clarify the classification of government business enterprises and government business-type organizations as publicly accountable enterprises, and accordingly require these organizations to prepare their financial statements in accordance with the internationally harmonized standards. The potential impact on government not-for-profit and other organizations is still under review, and PSAB expects to develop a statement of principles for these organizations in the near future.

## FINANCIAL INSTRUMENTS

Financial instruments or derivatives, such as foreign-exchange forward contracts, swaps,

futures, or options, are primarily used by the government to manage the risks related to debt issued in a foreign currency or at variable interest rates. Currently, PSAB guidance on accounting for derivatives is limited to their application in hedging foreign-currency risk, such as managing the risk associated with holding a debt payable in U.S. dollars. However, governments, including the Ontario government, are increasingly using derivative financial instruments to also manage interest-rate risk. For instance, the province may issue debt at a variable interest rate and, through the subsequent use of financial instruments, effectively convert the variable-rate debt into fixed-interest-rate debt and thereby limit the province's exposure to future interest-rate fluctuations.

In January 2005, the CICA Accounting Standards Board approved three new Handbook sections relating to such activities: *Financial Instruments*, *Comprehensive Income*, and *Hedges*. While these are private-sector standards, and governments are not currently required to apply the income-recognition and measurement provisions they establish, they underscore the need to address these issues from a public-sector perspective.

Accordingly, PSAB created a task force to consider government accounting for financial instruments and the applicability of hedge accounting to governments, and issued a Statement of Principles on Financial Instruments in June 2007. This Statement sets out proposed disclosure requirements and principles for hedge accounting and the recognition and measurement of government financial instruments, including derivatives.

A key issue PSAB is attempting to balance is the need for any new standard on hedge accounting to be both consistent with PSAB's conceptual framework, which sets out overall definitions for assets and liabilities, and to recognize and make allowance for the unique characteristics of governments. In this regard, PSAB proposes that derivatives be measured at fair value. However, in recognition

that these revaluations significantly increase the potential for volatility in reported annual results for governments with significant derivative holdings, the proposed hedge-accounting provisions in certain circumstances allow for the revaluation impact on the annual surplus or deficit for the year to be mitigated by recognizing the offsetting impact of hedging transactions.

## DISCLOSURE OF INFORMATION ON BUSINESS SEGMENTS

In January 2006, PSAB approved a new standard on segment disclosures requiring governments to define the business segments they are in and to provide a number of supplementary financial disclosures for these segments. These disclosures include the government revenues and expenses attributable to each segment. This project arose because of concerns about the level of aggregation in government summary financial statements, particularly with the recent expansions in the reporting entity under the revised reporting-entity standard, and the reduced level of detail that may be provided when these statements are presented on a fully consolidated basis. The standard applies to fiscal years beginning on or after April 1, 2007.

## GOVERNMENT TRANSFERS

As discussed earlier in this chapter, PSAB is working on revising its standard on government transfers to address a number of application and interpretation issues raised by the government community. These issues include the following: the need to resolve an ongoing debate over the appropriate accounting for multi-year funding provided by governments; clarification of the nature and extent of the authorization needed for transfer recognition; clarification of the degree to which stipulations imposed by a transferring government should impact the timing of revenue or expense

recognition of a transfer by both transferor and recipient governments; and the appropriate accounting for capital transfers received. Given the billions of dollars that flow annually in such government transfers, the revised standard has the potential to significantly impact the reporting of government financial results.

A variety of views has been expressed on these issues, and PSAB has found it difficult to obtain a consensus on what revisions should be made to the existing standard. One of the key challenges is PSAB's desire for the revised standard to remain consistent with the CICA's underlying conceptual framework while addressing the generally held view that some transfers do give rise to government assets and liabilities.

PSAB issued an Exposure Draft for comment in June 2006 that called for immediate recognition of all transfers as an expense by the transferor and as revenue by the recipient, provided the transfer has been authorized and any eligibility criteria have been met. After reviewing comments received on this Exposure Draft, PSAB issued a Re-Exposure Draft in April 2007 that proposes certain changes to recipient accounting for transfers. Specifically, while the Draft proposes no changes to the accounting for transfers by a transferring government, it does set out certain limited circumstances when a recipient government could defer the recognition of revenue for a transfer it receives. However, given the divergent views on this issue, it may be some time before it is resolved.

## PERFORMANCE REPORTING

Governments are complex, and it is important for them to provide clear information to citizens about what they plan to achieve and what they have achieved with the resources entrusted to them. Performance reporting can serve as one means of providing this information.

In June 2006, PSAB completed a project on performance indicators and approved a Statement of Recommended Practice for Public Performance Reporting to promote consistency and comparability in reporting outside of a government's financial statements. It sets out recommended practices for reporting performance information in a public-performance report, addresses non-financial performance information and the linkage of financial and non-financial performance information, and encourages governments to provide information about governance practices. This statement complements an earlier statement on Financial Discussion and Analysis that recognized that a government's financial statements alone cannot be expected to fulfil all the needs of government information users.

PSAB is currently developing recommended practices for identifying and reporting indicators of government financial condition, and plans to issue a Statement of Principles on Indicators of Financial Position in late 2007.

## ENVIRONMENTAL LIABILITIES

Canadian accounting standards currently do not specifically address environmental liabilities. In recognition of the need to do so, in June 2006, PSAB approved an environmental liability project. In the current absence of an accounting standard, the governments of Ontario and most other Canadian jurisdictions have not developed specific accounting policies on environmental liabilities. However, the Ontario government appropriately records environmental liabilities when it determines it has little or no discretion to avoid future costs or payments resulting from its environmental responsibilities, and when the amount of this liability can be reasonably estimated.

## TAX REVENUE

In March 2006, PSAB approved an Invitation to Comment on Tax Revenues that proposes to adopt the definitions and standards in the International Public Sector Accounting Standards Board's (IPSASB's) Exposure Draft on Revenues from Non-Exchange Transactions (including Taxes and Transfers). This is the first Canadian project running concurrently with an IPSASB project and is an outgrowth of the strategic direction of the CICA to converge Canadian and international accounting standards.

## ASSESSMENT OF CAPITAL ASSETS

The objective of this project is to issue a Statement of Recommended Practice that would assist governments in reporting information about major capital assets that would be useful in evaluating the government's financial condition and financial and non-financial performance, and to improve the comparability and reliability of financial and non-financial information about major government assets.

Existing guidance on reporting financial and other information about tangible capital assets in financial reports is limited. A major factor in determining a government's financial ability to maintain existing levels of services is appropriate information about the use and condition of its capital-asset infrastructure. Such information helps users understand the ongoing financial infrastructure costs associated with using it, and the costs associated with the ongoing need for its maintenance, renewal, and replacement.

PSAB approved a Statement of Principles for this project in March 2007 and plans to issue an Exposure Draft in November 2007.



## Assistance Provided by the Ontario Internal Audit Division

While the government's Internal Audit Division has historically assisted us in conducting work in certain areas of our public accounts audit, this year, they increased the assistance provided in that area and assisted our staff in our review of the government's *2007 Pre-Election Report on Ontario's Finances*. We requested this assistance because both the Pre-Election Report and our review of the decision-making process with respect to year-end grants funded by the Ministry of Citizenship and Immigration, which was requested by the Premier, had to be completed very quickly during our peak May-July period. I would like to express my appreciation to the Internal Audit Division for their assistance and for the ongoing co-operative working relationship we have had with them over the years.

## Other Matter

Under section 12 of the *Auditor General Act*, I am required to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, Section 91 of the *Legislative Assembly Act* requires that I report on any transfers of money between items within the same vote in the Estimates of the Office of the Legislative Assembly.

### LEGISLATIVE APPROVAL OF GOVERNMENT EXPENDITURES

Shortly after presenting its Budget, the government tables detailed Expenditure Estimates in the Legislature outlining, on a program-by-program basis, each ministry's spending proposals. The Standing

Committee on Estimates (Committee) reviews selected ministry estimates and reports the results of this review to the Legislature. The estimates of those ministries that are not selected for review are deemed to be passed by the Committee and are reported as such to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are debated in the Legislature for a maximum of three hours and then voted on.

Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving a *Supply Act*, which stipulates the amounts that can be spent by ministry programs, typically those set out in the estimates. Once the *Supply Act* is approved, the individual program expenditures are considered to be Voted Appropriations. The *Supply Act* pertaining to the fiscal year ended March 31, 2007, received Royal Assent on April 18, 2007.

The *Supply Act* is typically not passed until after the commencement of the fiscal year, but ministry programs require interim funding approval prior to its passage. The Legislature authorizes these payments by means of motions for interim supply. For the fiscal year ended March 31, 2007, the time periods covered by the motions for interim supply and the dates that the motions were agreed to by the Legislature were as follows:

- April 1, 2006, to June 30, 2006—passed December 13, 2005;
- July 1, 2006, to December 31, 2006—passed June 21, 2006; and
- January 1, 2007, to March 31, 2007—passed December 4, 2006.

### SPECIAL WARRANTS

If motions for interim supply cannot be approved because, for instance, the Legislature is not in session, section 7(1) of the *Treasury Board Act, 1991* allows for the issuance of Special Warrants authorizing the incurring of expenditures for which there is no appropriation by the Legislature or for which

the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council approved by the Lieutenant Governor on the recommendation of the government.

There were no special warrants issued for the fiscal year ended March 31, 2007.

## TREASURY BOARD ORDERS

Section 8(1) of the *Treasury Board Act, 1991* allows the Treasury Board to make an order authorizing expenditures to supplement the amount of any Voted Appropriation that is found to be insufficient. The order can be made provided that the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other Voted Appropriations not fully spent in the fiscal year. The order may be made at any time before the books of the government of Ontario for the fiscal year are closed. The last Treasury Board Order for the fiscal year ended March 31, 2007, was issued on July 30, 2007.

Subsection 5(4) of the *Treasury Board Act, 1991* allows the Treasury Board to delegate to any member of the Executive Council, or to any public servant employed under the *Public Service of Ontario Act, 2006*, any power, duty, or function of the Board, subject to limitations and requirements specified by the Board. In the fiscal year ended March 31, 2007, the Treasury Board, for the first time, delegated its authority for issuing Treasury Board Orders to the Chair of the Treasury Board for inter-ministry transfers and to supplement appropriations from contingency funds in specified circumstances; and to ministers for intra-ministry transfers. For inter-ministry transfers, the increase in an appropriation for one ministry is offset by a reduction in the amount available under an appropriation of another ministry. Intra-ministry transfers involve reducing the amount available under another appropriation within the same ministry. Supplement appropriations are Treasury Board

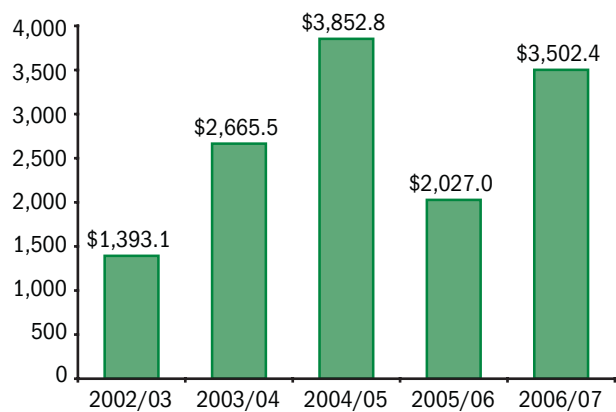
Orders whereby the increase of an appropriation is offset by reducing the amount available under a centrally controlled contingency fund.

Figure 2 summarizes the total value of Treasury Board Orders issued for the past five fiscal years. Figure 3 summarizes Treasury Board Orders for the fiscal year ended March 31, 2007, by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in *The Ontario Gazette*, together with explanatory information. Orders issued for the 2006/07 fiscal year were expected to be published in *The Ontario Gazette* by December 2007. A detailed listing of these Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit 3 of this report.

**Figure 2: Total Value of Treasury Board Orders Issued, 2002/03–2006/07 (\$ million)**

Source of data: Treasury Board



**Figure 3: Treasury Board Orders by Month of Issue, 2006/07**

Source of data: Treasury Board

Month of Issue	#	Authorized (\$)
April 2006–February 2007	102	1,413,853,200
March 2007	53	1,941,415,900
April 2007	14	37,165,200
June 2007	1	10,000,000
July 2007	2	100,000,000
<b>Total</b>	<b>172</b>	<b>3,502,434,300</b>

## TRANSFERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

When the Board of Internal Economy authorizes the transfer of money from one Item of the Estimates of the Office of the Assembly to another Item within the same Vote, section 91 of the *Legislative Assembly Act* requires that I make special mention of the transfer in my Annual Report.

With respect to the 2006/07 Estimates, the following transfer was made within Vote 201:

From:	Item 3	Legislative Services	\$52,000
To:	Item 2	Office of the Clerk	\$52,000

## UNCOLLECTIBLE ACCOUNTS

Under section 5 of the *Financial Administration Act*, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amount due to the Crown that is deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2006/07 fiscal year, receivables of \$174 million due to the Crown from individuals and non-government organizations were written off (\$171 million in 2005/06). The most significant of these write-offs were:

- \$76.5 million for uncollectible corporate taxes (2005/06 – \$46.7 million);
- \$53.7 million for uncollectible retail sales tax (2005/06 – \$46.9 million);
- \$10.8 million for uncollectible receivables under the Ontario Disability Support Program (2005/06 – \$7.9 million);
- \$9.5 million for uncollectible employer health taxes (2005/06 – \$9.7 million);
- \$6.7 million for uncollectible receivables under the Student Support Program (2005/06 – \$10.6 million); and
- \$6.3 million for uncollectible receivables under the Motor Vehicles Accident Claims Fund (2005/06 – \$5.2 million).

Volume 2 of the 2006/07 Public Accounts summarizes these write-offs by ministry. Under the accounting policies followed in preparing the audited financial statements of the province, provisions for doubtful accounts are recorded to offset the estimated uncollectible portion of accounts receivable balances. Accordingly, most of these write-offs had already been expensed in the audited financial statements. However, the actual deletion from the accounts required Order-in-Council approval.

# The Auditor General's Review of Government Advertising

## Introduction

The Auditor General's duties and responsibilities are outlined in the *Government Advertising Act, 2004* (Act), which came into full force on January 30, 2006. The Act is available at [www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca). This report on government advertising satisfies the requirement, in subsections 9(1) and (2) of the Act and subsection 12(2)(g) of the *Auditor General Act*, to report annually to the Speaker. The report is intended to:

- provide a means to discuss publicly those matters concerning the exercise of the Auditor General's powers and duties under the Act [subsection 9(1)];
- report any contraventions of the requirements of the Act [subsection 9(2)]; and
- report on expenditures for advertisements, printed matter, and messages that were reviewed by the Office of the Auditor General under the Act (from April 1, 2006, to March 31, 2007) [subsection 12(2)(g) of the *Auditor General Act*].

## Background

The idea of the Auditor General's reviewing government advertising arose in the mid-1990s, when legislators expressed concern about the appropriateness of a government's use of public funds for advertising that could be considered to further partisan interests. An advertisement can be considered partisan if it promotes the governing party's interests by fostering a positive impression of the government or a negative impression of its opponents. This concern was the subject of much debate in the Legislative Assembly during the period of 1996–2003.

Shortly after the opening of the 38th Parliament, the government introduced Bill 25, entitled *An Act Respecting Government Advertising*, on December 11, 2003. Bill 25 was passed by the Legislative Assembly and received Royal Assent on December 9, 2004, as the *Government Advertising Act, 2004* (Act). The intention of the Act was to prohibit government advertising that could be considered partisan by requiring that proposed advertisements be approved by the Auditor General before they could be used.

To allow for a brief transition period, the Act came into force in two stages, the first on November 21, 2005, and the second on January 30, 2006. Between those dates, government offices were required to submit all reviewable advertising items to the Auditor General's Office for review but were not prohibited from using items already in the pipeline. However, as of January 30, 2006, when the Act was fully proclaimed, a government office could not use any item subject to the Act until the Auditor General had reviewed and approved it.

## Overview of the Government Advertising Review Function

Under the Act, the Auditor General is responsible for reviewing specified types of government advertising to ensure that they meet legislated standards and that, above all, they do not contain anything that is, or may be interpreted as being, primarily partisan in nature. The Act states that “an item is partisan, if, in the opinion of the Auditor General, a primary objective of the item is to promote the partisan political interest of the governing party.”

### ENTITIES SUBJECT TO THE ACT

The Act applies to government offices, which it defines as ministries, Cabinet Office, the Office of the Premier, and such other entities as may be designated by regulation (as yet, no other entity has been so designated). The Act requires every government office to submit proposed advertising, printed matter, or prescribed messages that are reviewable to the Auditor General's Office for a determination of whether they meet the standards of the Act.

## REVIEWABLE ADVERTISING

The Act requires that the Auditor General review the following:

- any advertisement in any language that a government office proposes to pay for publishing in a newspaper or magazine, displaying on a billboard, or broadcasting on radio or television; and
- any item of printed matter in any language that a government office proposes to pay for distributing to households in Ontario either by bulk mail or by another method of bulk delivery.

Items meeting either of these definitions are known as reviewable items.

### Exceptions

The Act specifically excludes from review any advertisement or printed matter that is a job advertisement or a notice to the public required by law. Also excluded from review are advertisements concerning the provision of goods and services to a government office and those regarding an urgent matter affecting public health or safety.

The following are not specifically mentioned in the Act as excluded, although it is understood that they are not subject to the Act:

- electronic advertising on the government's own websites or any public site, except for web pages promoted through reference to their uniform resource locator (URL) in a reviewable item (see subsection entitled Websites later in this chapter); and
- brochures, pamphlets, newsletters, news releases, consultation documents, reports, and other similar printed matter, materials, or publications other than reviewable newspapers or magazines.



## REQUIREMENTS FOR SUBMISSION AND USE OF ADVERTISING ITEMS

Sections 2, 3, 4, and 8 of the Act require that:

- a government office submit a copy of the proposed reviewable advertisement, printed matter, or message to the Auditor General's Office for review;
- a government office not publish, display, broadcast, distribute, or disseminate the submitted item:
  - before the head (that is, the deputy minister) of that office receives notice, or is deemed to have received notice, of the results of the review; or
  - if the head has received notice from the Auditor General that the item does not meet the standards required by the Act;
- when a government office proposes to use a revised version of a rejected item, the revised version be submitted to the Auditor General's Office for a further review; and
- a government office not use the revised version:
  - before the head of that office receives notice, or is deemed to have received notice, of the results of the review; or
  - if the head has received notice from the Auditor General that the revised version does not meet the standards required by the Act.

## REVIEW PERIOD AND NOTIFICATION OF THE AUDITOR GENERAL'S DECISION

By regulation, the Auditor General has seven business days from receipt of an item in finished form to notify a government office of the results of a review. Under the Act, if notice is not given within that time, the government office is deemed to have received notice that the item meets the standards of the Act.

If a finished item submitted for review does not meet the standards required by the Act, the government office may submit a revised version for a second review. As with the initial review, the Auditor General has seven business days from receipt to notify the government office of the results of this new review. If notice is not given within that time, the government office is deemed to have received notice that the revised version meets the standards of the Act.

Once an item has been approved as meeting the standards of the Act, a government office may use it for 12 months following the determination. Under the Act, all decisions of the Auditor General are final.

## STATUTORY STANDARDS TO BE MET BY REVIEWABLE ITEMS

In conducting its review, the Auditor General's Office first determines whether a reviewable item meets all of the standards of the Act, as follows:

- The item must be a reasonable means of achieving one or more of the following objectives:
  - to inform the public of current or proposed government policies, programs, or services available to them;
  - to inform the public of its rights and responsibilities under the law;
  - to encourage or discourage specific social behaviour in the public interest; and/or
  - to promote Ontario, or any part of the province, as a good place to live, work, invest, study, or visit, or to promote any economic activity or sector of Ontario's economy.
- The item must include a statement that it is paid for by the government of Ontario.
- The item must not include the name, voice, or image of a member of the Executive Council or a member of the Legislative Assembly

(unless the primary target audience is located outside Ontario, in which case the item is exempt from this requirement).

- The item must not have as a primary objective the fostering of a positive impression of the governing party, or a negative impression of a person or entity critical of the government.
- The item must not be partisan; that is, in the opinion of the Auditor General, it cannot have as a primary objective the promotion of the partisan political interests of the governing party.

## OTHER FACTORS CONSIDERED

In addition to the specific statutory standards above, the Act allows the Auditor General to consider additional factors he or she deems appropriate to determine whether a primary objective of an item is to promote the partisan political interests of the governing party [subsection 6(4)].

In determining those additional factors, the Auditor General's Office consulted with Advertising Standards Canada. We also took into consideration the results of international research on principles for government advertising carried out by the Victoria Auditor General's Office in Australia. In general, the additional factors incorporated into the review process relate to the general impression conveyed by the message and how it is likely to be received or perceived. As a guide for determining whether an item may be perceived or received as partisan, consideration is given to whether it includes certain desirable characteristics and avoids certain undesirable ones, as follows:

- Each item should:
  - contain subject matter relevant to government responsibilities (that is, the government should have direct and substantial responsibilities for the specific matters dealt with in the item);
  - present information objectively, in tone and content, with facts expressed clearly and

accurately using unbiased and objective language;

- emphasize facts and/or explanations, not the political merits of proposals; and
- enable the audience to distinguish between fact on the one hand and comment, opinion, or analysis on the other.
- Items should not:
  - use colours, logos, and/or slogans commonly associated with any recognized political party in the Legislative Assembly of Ontario;
  - inappropriately personalize (for instance, by personally attacking opponents or critics);
  - directly or indirectly attack, ridicule, or criticize the views, policies, or actions of those critical of government;
  - aim primarily at rebutting the arguments of others;
  - intentionally promote, or be perceived as promoting, political-party interests (to this end, consideration is also given to such matters as timing of the message, the audience at which it is aimed, and the overall environment in which the message will be communicated);
  - deliver self-congratulatory or political-party image-building messages;
  - deal with matters such as a policy proposal where no decision has yet been made, unless the item provides a balanced explanation of both the benefits and the disadvantages;
  - present pre-existing policies, products, services, or activities as if they were new; or
  - use a uniform resource locator (URL) to direct readers, viewers, or listeners to a web page or pages with content that may not meet the standards required by the Act (see Websites).

## OTHER REVIEW PROTOCOLS

### Websites

Although websites referred to in an advertisement are technically not reviewable under the Act, the Auditor General and the government have agreed to the following: if an item submitted for review contains one or more URLs that direct the reader, viewer, or listener to further information on a website or websites, the Auditor General's Office will consider the content and context of any such website. However, the Auditor General's Office restricts its review in this regard to the page or pages accessed by the "first click" at the URL in the advertising item. Under the agreement, the Auditor General's Office does not consider web pages or materials beyond the first click in deciding whether the item meets the standards of the Act.

Since the first-click web page is considered a continuation of the reviewable message, the Auditor General will review it for any information or messages that may not meet the standards of the Act. For example, a first-click web page must not include a minister's name, voice, or photograph, nor deliver self-congratulatory, party image-building messages, or messages that attack the policies, opinions, or actions of others.

### Public-event and Conference-program Advertisements and Payments in Kind

With respect to government advertisements in programs distributed at public events and conferences, the Auditor General's Office has taken the position that such advertisements should be subject to the Act because the programs usually look like magazines and serve a similar purpose.

It should be noted that advertising space in public-event and conference programs is at times provided to a government office free of charge. However, if the government office has made any kind of financial contribution to the event,

including paid sponsorship, we consider this free advertisement to have been indirectly paid for. In considering this matter, we asked the following question: would the free advertisement have been granted to the government office if it had not made a financial contribution or sponsored the event? Experience suggests that the answer would often be "no." Government officials have agreed with this approach to advertisements in programs distributed at public events and conferences. Consequently, items in these programs are reviewable under the Act and must be submitted for review.

### Third-party Advertising

Recognizing that government funds are sometimes spent on advertising by third parties, the Auditor General's Office and the government have agreed that where a third party (not a government office) pays all or part of the cost of an advertising item, the government office must submit the item to the Auditor General for review only if it meets all three of the following criteria:

- a government office provides the third party with funds intended to pay part or all of the cost of publishing, displaying, broadcasting, or distributing the item; and
- the government of Ontario grants the third party permission to use the Ontario logo or another official provincial visual identifier in the item; and
- the government office approves the content of the item.

### Pre-reviews and Consultations

A pre-review is available to government offices wishing to have the Auditor General's Office examine an early version of an item before they submit a finished item for review. An early version can be a script or storyboard, provided that it reasonably and accurately reflects the item as it is intended

to appear when completed. Pre-reviews help limit the investment of time and money spent to develop items containing material that the Auditor General may deem objectionable under the Act.

If material submitted for pre-review appears to meet the standards of the Act, the Auditor General's Office so advises the government office. However, before the item can be published, displayed, broadcast, printed, or otherwise disseminated, the government office must still submit the finished item for review to show that the newer version still meets the standards of the Act.

If the pre-review material appears to violate any of the standards in the Act, the Auditor General's Office provides explanatory comments to the government office.

A pre-review is strictly voluntary on the part of the Auditor General's Office and is outside the statutory requirements of the Act.

## Engagement of External Advisors

Under the *Auditor General Act*, the Auditor General can appoint an Advertising Commissioner to assist in fulfilling the requirements of the *Government Advertising Act, 2004*. However, instead of formally appointing an Advertising Commissioner, the Auditor General's Office has engaged external advisors to give assistance and advice in the ongoing review of items submitted for review under the Act. The following experts have been engaged at various times by the Auditor General's Office during the 2006/07 fiscal year:

- Rafe Engle is a Toronto lawyer who specializes in advertising, marketing, communications, and entertainment law. He is also the outside legal counsel for Advertising Standards Canada. Before studying law, Mr. Engle acquired a comprehensive background in

media and communications while working in the advertising industry.

- Jonathan Rose is Associate Professor of Political Studies at Queen's University. He is a leading Canadian academic with interests in political advertising and Canadian politics. Professor Rose has written a book on government advertising in Canada and a number of articles on the way in which political parties and governments use advertising.
- Joel Ruimy is a Toronto communications consultant with many years of experience as a journalist, editor, and producer covering Ontario politics in print and television.

These advisors have provided invaluable assistance in our review of government advertising this year.

## 2006/07 Advertising Review Activity and Results

### REVIEWS CONDUCTED

During the 2006/07 fiscal year, the Auditor General's Office received and reviewed 189 advertising submissions comprising 1,047 individual items, with a total cost of almost \$69 million.

The Auditor General's Office, recognizing that government offices needed time to learn how the Act would be applied, instituted a process to give them immediate feedback to ensure that each item being reviewed would meet the standards of the Act as well as any additional criteria developed by the Auditor General. In some cases, this approach resulted in changes within the seven-day statutory review period to submitted items that would otherwise not have been approved. In others, government offices chose to withdraw submissions; during the 2006/07 fiscal year, five advertising submissions comprising 16 individual items were withdrawn directly as a result of concerns raised by our office. It

was made clear at the time that these submissions, had they not been withdrawn or amended, would have been rejected because they violated at least one of the standards in the Act.

It is also worth noting that while the majority of the legislated standards are relatively straightforward in their application, the standard and additional factors concerning the identification of partisanship in advertising require a high degree of judgment and interpretation. For example, we concluded that an advertisement promoting a Premier's Award would be in violation of the Act because of its use of the word "Premier." Most people can quickly associate the word "Premier" with the name of the person who holds that position; this usage thus violates the provision that bars the name, image, or voice of any member of the Executive Council in any advertisement. As well, promoting an awards program named after the Premier in an advertisement could be considered to foster a positive impression of the governing party.

After working closely with government offices and providing them with guidance during the 12 months following the proclamation of the Act, the Auditor General's Office, on January 1, 2007, instituted a more formal process that more closely reflected the intent of the Act.

In this process, once an advertisement was submitted to the Auditor General's Office, it could not be reworked or withdrawn during the submission-for-approval process. Ministries would receive only a written notification that the advertisement met the standards under the Act, or one giving the Auditor General's reasons for finding it in violation of the Act. Items found in violation could, at the option of the government office, be revised and resubmitted for a second review under section 8 of the Act.

As previously noted, the Act requires the Auditor General to notify a government office of the results of a review within seven business days of receiving an item. We are able to report that in all

cases, decisions were given within the statutory seven-day period. The length of time required for a review and decision can vary, depending for the most part on the complexity of the message contained in the item(s) and on the other work priorities of the members of the Auditor General's review panel. For the 2006/07 fiscal year, the average turnaround time for statutory submissions was just over four business days.

We also received and reviewed 26 pre-review submissions that were at a preliminary stage of development, most often at the script or storyboard level. As already mentioned, pre-reviews are strictly voluntary on the part of the Auditor General's Office and are outside the statutory requirements of the Act. Pre-review items thus rank as a second priority behind finished items. Nevertheless, every attempt is made to complete the assessment of items received for pre-review within a reasonable length of time. The average turnaround time for pre-review submissions during the 2006/07 fiscal year was about five business days.

## CONTRAVENTIONS OF THE ACT

Subsection 9(2) of the Act requires that the Auditor General annually report any contraventions of sections 2, 3, 4, and 8, which pertain to submission requirements and prohibitions on the use of items pending the Auditor General's review, and to items not meeting the standards of the Act. During our visits to selected government offices to verify reported expenditure information, we also performed compliance procedures with respect to the requirements of sections 2, 3, 4, and 8 of the Act.

As determined on the basis of the work and reviews conducted by the Auditor General's Office during the year, there were contraventions of the Act. These are presented in Figure 1.



**Figure 1: Contraventions of the *Government Advertising Act, 2004*, April 1, 2006–March 31, 2007**

Prepared by the Office of the Auditor General of Ontario

Ministry	Description
Culture Re: Premier's Award for Excellence in the Arts April, 2006	An advertisement promoting the award was published in several Ontario newspapers without first having been submitted to the Auditor General's Office for review and approval. Had it been submitted, this advertisement would not have passed our review because of the use of the word "Premier." The Office determined that use of the word in this message violates section 6(1)3 of the Act, which prohibits the name of a member of the Executive Council from appearing in an advertisement. People can quickly associate the word "Premier" with the name of the person who holds that position. As well, promoting an awards program named after the premier in an advertisement fosters a positive impression of the governing party.
Health and Long-Term Care Re: OHIP Information for Northern Residents September, 2006	An advertisement containing OHIP information for residents of Northern and isolated communities was published in a newspaper without first having been submitted to the Auditor General's Office for review and approval. The advertisement was subsequently submitted and approved for later use.
Democratic Renewal Secretariat Re: Citizens' Assembly on Electoral Reform October, 2006	Advertisements about various public meetings were published in several Ontario newspapers without being submitted to the Auditor General's Office for review and approval. Once our Office became aware of this, the campaign was stopped pending the Auditor General's review of the advertisements. We concluded that they complied with the content standards in the Act and the campaign resumed.

## EXPENDITURES ON ADVERTISEMENTS AND PRINTED MATTER

The *Auditor General Act* requires that the Auditor General report annually to the Legislative Assembly on expenditures, printed matter, and messages that are reviewable under the *Government Advertising Act, 2004*.

Figure 2 at the end of this chapter contains expenditure details of individual advertising campaigns by each ministry or office for media-buy costs; agency creative costs, and fees; third-party production, talent, and distribution costs; and other third-party costs, such as translation. The information contained in Figure 2 was compiled by government offices and provided to the Auditor General's Office by the Ministry of Government Services.

In order to test the completeness and accuracy of the reported advertising expenditures, the Auditor General's Office performed a review of randomly selected payments to suppliers and supporting documentation at selected ministries.

## MATTERS OF SPECIAL IMPORTANCE

Subsection 9(1) of the Act gives the Auditor General the authority to report on matters relating to the powers and duties of the Auditor General under the Act. I wish to draw attention to matters relating to those powers and duties.

### Government Advertising before an Election

Since Ontario now has fixed dates for elections—every four years—there is no longer any doubt about when future elections will be held, unless a general election is held sooner because the Lieutenant Governor has dissolved the Legislature. It is therefore important to consider how publicly funded government advertising should be dealt with in a pre-election period.

In this context, consideration should be given to the following concerns:

- The members of the Executive Council and the party of a sitting government may, during

the run-up to a general election, be perceived as benefiting, at public expense, from government advertising in the months before an election.

- Similarly, noticeable changes in the character, content, emphasis or volume of government advertising in the period before a general election may be perceived as giving the governing party an advantage.
- It is possible that advertising material approved by the Auditor General under the Act in the year before an election—such approvals are valid for 12 months—may, because of timing and changing political circumstances, be deemed partisan during a pre-election period.

Given the heightened risk of partisanship being ascribed to government advertising in a pre-election period, I indicated to the government that, in my Office's review of advertising items during this period, my staff and I, as well as our external advisors, would consider not only the content of each advertising item, but also the current political circumstances and the timing of the planned publication or dissemination of the item.

### Celebrities in Advertisements

Private-sector advertising frequently makes use of celebrity endorsements, a technique that we

acknowledge can also be used to enhance the effectiveness of government advertising. But the use of such personalities raises concerns, including:

- the possibility that the message of the celebrity spokesperson is designed to mesh with the policy positions of the governing party; and
- the risk that the celebrity spokesperson is subsequently enlisted to campaign alongside the government party during an election.

In such instances, the governing party would receive the kind of partisan edge that the Act was designed to prevent. In our review of any advertisement that features a celebrity, we would consider whether the celebrity had any political and/or public associations that could result in the advertisement fostering a positive impression of the governing party or a negative impression of a person or entity critical of the government.

If an advertisement which featured a celebrity were approved, we would advise the issuing ministry or office that the ongoing approval of the advertisement was conditional on the celebrity's not subsequently doing anything that might be considered partisan. For example, that would include taking part in activities or events that could be perceived as promoting the partisan interests of the governing party, or campaigning alongside a government member or a person running for election for the government party.

**Figure 2: Expenditures for Reviewable Advertisements and Printed Matter under the *Government Advertising Act, 2004*, April 1, 2006–March 31, 2007**

Source of data: Ontario government offices

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs (\$)	
			Fees	Creative
<b>Agriculture, Food and Rural Affairs</b>				
Event Program Message from OMAFRA	1	2	–	–
Foodland Ontario Time Lapse Tips—Billboard, Radio, TV, 2006/07	1	29	58,233	–
Foodland Ontario Time Lapse Tips—Radio, TV, 2007/08 <sup>1</sup>	1	18	–	–
<b>Attorney General</b>				
Court Reporting Review	1	2	–	–
<b>Children and Youth Services</b>				
Brampton Youth Justice Facility—Information Bulletin (Paid by Infrastructure Ontario)	1	1	–	–
Child Neglect Awareness North Bay/Parry Sound	1	3	–	–
Domestic Violence Grey Bruce	1	2	–	–
Domestic Violence Prevention Halton	1	2	–	–
Durham Region Health Unit, Family Violence Prevention Initiative	1	4	–	–
Safe Communities for Children—Peel Health Department	1	6	–	–
Southwest Early Childhood Injury Prevention	1	15	–	–
Sudbury and Algoma Health Unit, Postnatal Depression Awareness	1	3	–	–
Sudbury and District Health Unit—Pregnancy and Alcohol Don't Mix <sup>3</sup>	1	4	–	–
Windsor Essex County Health Unit, Injury Prevention	1	15	–	–
<b>Citizenship and Immigration</b>				
Global Experience Ontario—Promote Services for Newcomers <sup>3</sup>	1	1	–	–
Helping Newcomers Succeed	3	18	47,339	20,346
Order of Ontario <sup>2</sup>	–	–	–	–
Province-wide Consultations—Care in Retirement Homes	1	2	–	–
Violence Against Women—“Burger Guy”	1	2	763	500
<b>Community Safety and Correctional Services</b>				
2006 RIDE Program	1	8	–	–
<b>Community and Social Services (Francophone Affairs)</b>				
<i>French Language Services Act</i> Brochure—20th Anniversary	1	2	22,680	–
Has Adoption Touched Your Life?	1	2	192,000	–
<b>Culture</b>				
Premier's Awards for Excellence in the Arts <sup>4</sup>	–	–	–	–
<b>Democratic Renewal Secretariat</b>				
The Citizens' Assembly Public Consultation Meetings <sup>4</sup>	1	2	–	–

1. expenditures to be reported in 2007/08

2. reported in 2005/06, but further expenditures for 2006/07

3. withdrawn

4. violation

Production	Third-party Costs (\$)			Media Costs (\$)		Total (CDN \$)
	Talent	Distribution	Other	CDN	US	
–	–	–	–	–	–	–
–	21,000	–	–	1,742,884	–	1,822,117
–	–	–	–	–	–	–
–	–	3,040	2,342	–	–	5,382
–	–	–	–	–	–	–
–	–	–	–	5,000	–	5,000
–	–	–	–	13,691	–	13,691
–	–	–	–	7,412	–	7,412
–	–	–	–	11,468	–	11,468
–	–	–	–	112,406	–	112,406
19,100	–	–	–	43,428	–	62,528
–	–	–	–	8,978	–	8,978
–	–	–	–	–	–	–
–	–	–	–	16,278	–	16,278
–	–	–	–	–	–	–
70,406	24,217	–	331	1,085,000	–	1,247,639
–	–	–	–	21,620	–	21,620
–	–	–	–	21,089	–	21,089
257,465	70,585	–	2,015	434,047	–	765,375
552	6,161	248,421	–	244,696	–	499,830
12,402	–	18,689	688	18,430	–	72,890
80,650	–	–	2,055	792,855	65,722	1,067,560
–	–	–	–	35,414	–	35,414
–	–	–	–	245,812	–	245,812

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs (\$)	
			Fees	Creative
<b>Economic Development and Trade</b>				
Go North—International	2	27	99,995	—
Invest Ontario—International	5	75	659,870	—
Jobs and Economy: Works For Me	2	3	124,465	731
<b>Education</b>				
Six Ways/Reach Every Student	5	45	138,780	141,390
<b>Energy</b>				
PowerWISE	6	29	435,617	27,974
<b>Finance</b>				
2007 Ontario Budget	1	23	6,306	—
Notice to Solicitors— <i>Land Transfer Tax Act</i>	1	2	—	—
Ontario Savings Bonds	1	18	128,813	44,776
<b>Government Services</b>				
Birth Certificate Service Guarantee	6	47	—	552,237
Consumer Protection	1	2	—	—
MTO Temporary Office Closure—75 Albram Lake Road <sup>1</sup>	1	1	—	—
Service Ontario at Libraries	1	2	—	—
Showcase Ontario	1	1	—	—
Veterans Memorial	1	1	—	—
<b>Health and Long-Term Care</b>				
10-year Strategic Plan	5	48	147,638	79,350
Baby Vaccines <sup>2</sup>	—	—	—	—
Health Card Notice for Northern Residents <sup>4</sup>	—	—	—	—
Health Human Resources—HealthForceOntario	1	7	124,490	63,735
Infection Control Campaign <sup>2</sup>	—	—	—	—
Influenza 2006	7	63	77,839	136,497
Living Green Ribbon Event (National Organ Awareness Week)	1	9	—	—
Newborn Screening Program <sup>2</sup>	—	—	—	—
Nurses Awareness Campaign	4	26	—	—
Trillium Gift of Life Network	1	3	—	—
West Nile Virus	3	98	16,750	17,374
<b>Health Promotion</b>				
Cessation—Smoke-Free Ontario Strategy	5	63	27,650	11,263
Healthy Eating and Active Living for “Tweens”	1	3	139,558	4,228
Second-Hand Smoke	1	4	179,320	36,948

1. expenditures to be reported in 2007/08

2. reported in 2005/06, but further expenditures for 2006/07

4. violation



Production	Third-party Costs (\$)			Media Costs (\$)		Total (CDN \$)
	Talent	Distribution	Other	CDN	US	
57,978	—	54	2,726	1,435,375		1,596,128
175,377	—	2,283	7,811	9,411,537		10,256,878
1,006,132	—	98	1,502	1,505,748		2,638,676
350,982	123,778	1,341	43,079	2,234,475		3,033,825
1,557,068	100,801	—	—	6,335,978		8,457,438
6,045	—	—	1,552	136,346		150,249
—	—	—	792	5,280		6,072
312,891	44,093	112,190	10,395	2,249,664		2,902,822
13,838	—	—	4,889	2,164,007		2,734,971
—	—	—	—	58,529		58,529
—	—	—	—	—		—
—	—	—	—	—		—
—	—	—	—	636		636
—	—	—	—	18,557		18,557
535,116	17,060	850	1,119	3,365,306		4,146,439
—	—	—	—	672,846		672,846
—	—	—	—	1,249		1,249
75,128	3,000	1,438	869	786,643	229,776	1,055,303
—	—	—	—	950,790		950,790
258,973	33,995	308	—	2,107,403		2,615,015
—	—	—	—	30,964		30,964
—	—	—	—	138,063		138,063
—	—	—	—	1,715,246		1,715,246
—	—	—	—	279,121		279,121
64,092	15,649	1,050	68,768	1,998,125		2,181,808
383,956	89,001	18,614	26,975	2,264,896		2,822,355
277,824	63,836	—	—	584,923		1,070,369
11,364	6,962	—	21,493	57,706		313,793

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs (\$)	
			Fees	Creative
<b>Health Promotion (continued)</b>				
Smoke Free Ontario Legislation	2	31	3,250	—
Stupid.ca Campaign (Anti-tobacco)	4	15	153,500	109,121
<b>Intergovernmental Affairs</b>				
Fairness/Fiscal Imbalance <sup>3</sup>	2	10	350,158	153,273
Remembrance Day Ceremony	1	1	—	—
<b>Labour</b>				
End of Mandatory Retirement	2	12	6,000	—
Family Medical Leave	1	11	9,391	—
Minimum Wage Increase 2007	1	12	5,500	—
<b>Municipal Affairs and Housing</b>				
Brownfields Ontario	1	1	—	—
Managing Natural Heritage System in Central Pickering <sup>5</sup>	1	2	—	—
Realizing Your Dream of Owning Your Own Home	1	1	—	—
<b>Natural Resources</b>				
2007 Ontario Municipal Directory—Land Information Ontario Program	1	1	—	81
Bay of Quinte—Invitation to Participate	1	1	—	—
Bear Wise	1	14	—	15,000
Bridge Removal—Chapleau	1	2	—	—
Bridge Removal—Sudbury District	1	2	—	—
Bridge Removal—Timmins District	1	2	—	—
Burlington Visitor Guide—2007 Bronte Creek	1	1	—	—
Care for Our Land—Nature Conservancy of Canada	1	1	—	174
Charleston Lake Provincial Park—Recreation Guide	1	1	—	—
Como Lake Waste Disposal	1	1	—	—
Cormorant Open House Sessions	1	3	—	—
Crown Land Disposition—Dog Lake	1	1	—	—
Crown Land Use Policy Atlas—Sault Ste. Marie District	1	1	—	—
Deer Hunters	1	1	—	—
Dorion Fish Culture Station	1	1	—	—
Draft Bronte Creek Vegetation Management Plan	1	3	—	—
Draft Inverhuron Vegetation Management Plan	1	3	—	—
Drought Conditions Lead to Wildfires	1	1	—	—
Feeding Deer or Elk	1	1	—	258
Fire Prevention Messages—Cable TV, Radio	1	5	—	—
Fire Prevention—High Winds Increase Risk of Forest Fires <sup>5</sup>	1	1	—	—

3. withdrawn

5. cancelled after approval

Production	Third-party Costs (\$)			Media Costs (\$)		Total (CDN \$)
	Talent	Distribution	Other	CDN	US	
21,826	6,402	–	35,804	1,100,471		1,167,753
515,013	169,356	1,532	52,093	2,208,132		3,208,746
549,981	–	1,532	–	–		1,054,944
–	–	–	–	18,804		18,804
–	–	–	12,100	231,080		249,180
–	–	–	1,300	31,243		41,934
–	–	–	12,100	114,282		131,882
–	–	–	–	–		–
–	–	–	–	–		–
–	–	–	–	–		–
–	–	–	–	2,041		2,122
–	–	–	96	1,442		1,538
–	–	–	700	331,100		346,800
–	–	–	45	–		45
–	–	–	48	512		560
–	–	–	45	410		455
–	–	–	–	1,375		1,375
–	–	–	–	3,700		3,874
–	–	–	–	105		105
–	–	–	–	76		76
–	–	–	53	187		240
–	–	–	–	384		384
–	–	–	96	2,184		2,280
–	–	–	–	333		333
–	–	–	–	575		575
–	–	–	–	1,091		1,091
–	–	–	–	287		287
–	–	–	–	315		315
–	–	–	–	–		258
–	–	–	–	382,888		382,888
–	–	–	–	–		–

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs (\$)	
			Fees	Creative
<b>Natural Resources (continued)</b>				
FireSmart Prevention Message—Kenora Stuff Magazine	1	1	—	—
FireSmart Wildfire Prevention	1	2	—	—
FireSmart Wildfire Prevention Media Kit	1	6	—	162
Fish Sanctuary on Black Creek at Lake Dore Wilberforce Township	1	1	—	—
Fisheries Management Zone Winter	1	1	—	148
Haldimand County, 2007 Experience Guide	1	1	—	—
Help Protect Ontario's Natural Heritage—TIPS	1	1	—	258
Invasive Species—Vacation Guide	1	1	—	—
Kawartha Seasons Guide—2007	1	1	—	—
Land Information Ontario—Road Network	1	1	—	—
Manion Lake Waste Disposal Closure	1	1	—	—
Maple Syrup Festival—Bronte Creek Provincial Park	1	2	—	—
Mary Lake Dam and Kawagama Lake Dam	1	1	—	—
Meet Your Neighbours Down at the Pond—Healthy Wetlands	1	3	—	12,500
Michipicoten River System	1	3	—	—
Montreal River System	1	1	—	—
<i>Navigable Waters Protection Act</i> —Michipicoten River	1	1	—	—
Neys and Rainbow Falls—2007 Seasonal Leasing Program	1	1	—	—
Northern Ontario—Lake Superior Magazine Guide	1	1	—	100
Ontario Parks Bilingual	1	2	—	848
Ontario Parks for Camping Caravanning Magazine <sup>2</sup>	—	—	—	63
Ontario Parks, Northern Ontario—2007 Vacation Guide Map	1	1	—	—
Ontario Parks, Northern Ontario—Circle Tour Adventure Guide	1	1	—	—
Ontario Parks, Northwest Zone—2007 Sunset Country	1	1	—	—
Ontario Travel Discoveries Fall/Winter	1	2	—	458
Park Management Plans Templates	1	17	—	—
Park Management Planning Process for Bonnechere, Foy Property <sup>2</sup>	—	—	—	—
Pembroke District Fish and Wildlife Advisory Committee	1	2	—	—
Perth Chamber Guide—Ontario Parks	1	1	—	—
Petawawa Terrace Preliminary Park Management Plan	1	1	—	—
Petawawa Terrace Provincial Park	1	1	—	—
Proposed Road Use Policy Minor Amendment to Policy Atlas	1	2	—	—
Queen Elizabeth II Wildlands Provincial Park Management Planning	1	1	—	—
Quetico Provincial Park	1	1	—	—
Quetico Provincial Park—Management Planning	1	1	—	—
Quetico Provincial Park Fisheries Stewardship Plan	1	1	—	—

2. reported in 2005/06, but further expenditures for 2006/07

Third-party Costs (\$)				Media Costs (\$)		Total (CDN \$)
Production	Talent	Distribution	Other	CDN	US	
—	—	—	—	600		600
—	—	—	—	—		—
—	—	—	—	—		162
—	—	—	—	1,025		1,025
—	—	—	—	—		148
—	—	—	—	335		335
—	—	—	—	—		258
—	—	—	—	183		183
—	—	—	—	690		690
—	—	—	—	730		730
—	—	—	—	395		395
—	—	—	—	5,600		5,600
—	—	—	—	1,922		1,922
7,500	—	—	1,500	53,500		75,000
—	—	—	—	86		86
—	—	—	—	843		843
—	—	—	—	86		86
—	—	—	—	794		794
—	—	—	—	—	514	100
—	—	—	—	33,320		34,168
—	—	—	—	350		413
—	—	—	—	795		795
—	—	—	—	3,105	2,363	3,105
—	—	—	—	945		945
—	—	—	—	6,855		7,313
—	—	67	—	478		545
—	—	—	—	735		735
—	—	—	—	1,442		1,442
—	—	—	—	500		500
—	—	—	—	639		639
—	—	—	—	503		503
—	—	—	—	2,096		2,096
—	—	—	—	1,355		1,355
—	—	—	—	1,006		1,006
—	—	—	—	391		391
—	—	—	—	770		770



Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs (\$)	
			Fees	Creative
<b>Natural Resources (continued)</b>				
Saugeen Shores Visitor Guide 2007	1	1	—	—
Seasonal Leasing of Campsite Program	1	2	—	—
Seasonal Leasing of Campsite Program—White Lake Provincial Park <sup>2</sup>	—	—	—	—
Seasonal/Monthly Leasing of Campsites—Kakabeka Falls, Sleeping Giant and Quetico	1	1	—	—
Temagami Area Parks Information	1	1	—	—
Temagami Integrated Planning	2	4	—	—
Temagami Parks <sup>1</sup>	1	2	—	—
Thunder Bay Visitor's Guide	1	1	—	—
West Arm Dam Maintenance	1	1	—	—
White Lake Provincial Park <sup>1</sup>	1	1	—	—
<b>Northern Development and Mines</b>				
75th Anniversary Magazine—Prospectors and Developers	1	1	—	—
GeologyOntario	1	1	—	—
Northern Ontario Heritage Fund Generic	1	1	—	—
Northern Ontario Heritage Fund Youth Entrepreneur Program	1	2	—	—
<b>Ontario Secretariat for Aboriginal Affairs</b>				
Michipicoten First National Boundary Claim	1	1	—	—
<b>Research and Innovation</b>				
Premier's Innovation Awards <sup>3</sup>	1	1	2,376	—
<b>Small Business and Entrepreneurship</b>				
Salute to Small Business Campaign	1	3	25,418	—
<b>Training, Colleges and Universities</b>				
Career and Training Fair <sup>1</sup>	1	1	—	—
Career and Training Fair October 2006	1	1	—	—
Employment Ontario—"Today I Can"	2	29	48,389	79,424
New OSAP "Bakery"	2	25	80,415	265,266
OSAP Access Window <sup>1</sup>	1	4	17,903	—
Studying Abroad <sup>1</sup>	1	1	—	—
<b>Transportation</b>				
2006 Veterans Graphic Licence Plate	2	3	19,550	2,376
Smart Love—Child Safety Seat	4	8	135,000	—
<b>Total</b>	<b>189</b>	<b>1,047</b>	<b>3,484,957</b>	<b>1,776,859</b>

1. expenditures to be reported in 2007/08

2. reported in 2005/06, but further expenditures for 2006/07

3. withdrawn

Production	Third-party Costs (\$)			Media Costs (\$)		Total (CDN \$)
	Talent	Distribution	Other	CDN	US	
–	–	–	–	900		900
–	–	–	45	1,305		1,350
–	–	–	–	560		560
–	–	–	–	660		660
–	–	–	–	400		400
–	–	–	209	6,903		7,112
–	–	–	–	–		–
–	–	–	–	850		850
–	–	–	–	135		135
–	–	–	–	–		–
–	–	–	–	–		–
–	–	–	–	–		–
–	–	–	–	9,595		9,595
–	–	–	–	11,400		11,400
–	–	–	–	–		–
–	–	–	–	200		200
–	–	–	–	–		–
–	–	–	–	–		2,376
5,750	–	5,740	1,241	232,165		270,314
–	–	–	–	–		–
–	–	–	–	3,381		3,381
–	–	–	50,094	760,168		938,076
–	–	–	12,000	1,919,776		2,277,457
–	–	–	–	–		17,903
–	–	–	–	–		–
10,977	3,875	594	–	728,619		765,991
193,426	35,558	–	16,900	1,391,671		1,772,555
<b>6,831,813</b>	<b>835,328</b>	<b>417,841</b>	<b>395,869</b>	<b>54,993,699</b>	<b>298,375</b>	<b>68,736,366</b>

# The Office of the Auditor General of Ontario

The Office of the Auditor General of Ontario is committed to promoting accountability, economy, efficiency, and effectiveness in government and broader public-sector operations for the benefit of the citizens of Ontario. The Office provides objective information and advice to the Legislative Assembly of Ontario on the results of our independent value-for-money and financial audits and reviews. In so doing, the Office assists the Assembly in holding the government, its administrators, and grant recipients accountable for the quality of their stewardship of public funds and for the achievement of value for money in the delivery of services to the public. The work of the Office is performed under the authority of the *Auditor General Act*, which can be found at [www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca).

## Auditor General Act

The *Auditor General Act* came about with the passage on November 22, 2004, of Bill 18, the *Audit Statute Law Amendment Act*, which received Royal Assent on November 30, 2004. The purpose of Bill 18 was to make certain amendments to the *Audit Act* to enhance the ability of the Office to serve the Legislative Assembly. The most significant amendment contained in Bill 18 was the expansion of the Office's value-for-money audit mandate to organizations in

the broader public sector that receive government grants. This *2007 Annual Report* marks the second year of our expanded audit mandate.

## Appointment of Auditor General

The Auditor General is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council—that is, the Lieutenant Governor appoints the Auditor General on and with the advice of the Executive Council (the Cabinet). The appointment is made “on the address of the Assembly,” meaning that the appointee must be approved by the Legislative Assembly. The *Auditor General Act* also requires that the Chair of the Standing Committee on Public Accounts—who, under the Standing Orders of the Assembly, is a member of the official opposition—be consulted before the appointment is made (for more information on the Committee, see Chapter 8).

## Independence

The Auditor General and staff of the Office are independent of the government and its administration.

This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly and is thus free to fulfil the Office's legislated mandate without political pressure.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the *Auditor General Act*, the Office's expenditures relating to the 2006/07 fiscal year have been audited by a firm of chartered accountants, and the audited financial statements of the Office are submitted to the Board and subsequently must be tabled in the Legislative Assembly. The audited statements and related discussion of results are presented at the end of this chapter.

## Audit Responsibilities

We audit the financial statements of the province and the accounts of many agencies of the Crown. However, most of our work relates to our value-for-money audits of the administration of government programs, including broader-public-sector organizations that receive government grants, and Crown agencies and Crown-controlled corporations. Our responsibilities are set out in the *Auditor General Act* (see the Value-for-money Audits and Attest Audits sections later in this chapter for details on these two types of audits).

The Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Assembly

at any time on any matter that in the opinion of the Auditor General should not be deferred until the Annual Report. We also assist and advise the Standing Committee on Public Accounts in its review of the Office's Annual Report.

It should be noted that our audit activities include examining the actual administration and execution of the government's policy decisions as carried out by management. However, the Office does not comment on the merits of government policy, since the government is held accountable for policy matters by the Legislative Assembly, which continually monitors and challenges government policies through questions during legislative sessions and through reviews of legislation and expenditure estimates.

We are entitled to have access to all relevant information and records necessary to the performance of our duties under the *Auditor General Act*. Out of respect for the principle of Cabinet privilege, the Office does not seek access to the deliberations of Cabinet. However, the Office can access virtually all other information contained in Cabinet submissions or decisions that we deem necessary to fulfill our auditing and reporting responsibilities under the *Auditor General Act*.

## AGENCIES OF THE CROWN AND CROWN-CONTROLLED CORPORATIONS

The Auditor General, under subsection 9(2) of the *Auditor General Act* (Act), is required to audit those agencies of the Crown that are not audited by another auditor. Exhibit 1, Part 1 lists the agencies that were audited during the 2006/07 audit year. Public accounting firms are currently contracted by the Office to audit the financial statements of a number of these agencies on the Office's behalf.

Exhibit 1, Part 2 and Exhibit 2 list the agencies of the Crown and the Crown-controlled corporations, respectively, that were audited by public accounting firms during the 2006/07 audit year.

Subsection 9(2) of the Act requires that public accounting firms that are appointed auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General. Under subsection 9(3) of the Act, public accounting firms auditing Crown-controlled corporations are required to deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of their report of their findings and recommendations to management (contained in a management letter).

## ADDITIONAL RESPONSIBILITIES

Under section 16 of the *Auditor General Act* (Act), the Auditor General may, by resolution of the Standing Committee on Public Accounts, be required to examine and report on any matter respecting the Public Accounts.

Section 17 of the Act allows the Auditor General to undertake special assignments requested by the Assembly, by the Standing Committee on Public Accounts (by resolution of the Committee), or by a minister of the Crown. However, these special assignments are not to take precedence over the Auditor General's other duties. The Auditor General can decline an assignment referred by a minister if, in his or her opinion, it conflicts with other duties.

During the period of audit activity covered by this Annual Report (October 2006 to September 2007), the Office was involved in the following assignments under section 17:

- a Special Review of the Bruce Power Refurbishment Agreement for the Ministry of Energy, delivered April 5, 2007; and
- a Special Review of Year-end Grants Provided by the Ministry of Citizenship and Immigration, requested by the Premier and delivered July 26, 2007.

Under section 13 of the *Fiscal Transparency and Accountability Act, 2004*, the Ministry of Finance must in an election year issue a pre-election

report about Ontario's finances. The Act further requires the Auditor General to review that report. The Office delivered its review of the Ministry of Finance's *2007 Pre-Election Report on Ontario's Finances* on June 18, 2007.

## Audit Activities

### TYPES OF AUDITS

Value-for-money, attest, and compliance audits are the three main types of audits carried out by the Office. The Office generally conducts compliance audit work as a component of its value-for-money and attest audits. The following are brief descriptions of each of these audit types.

#### Value-for-money Audits

Subclauses 12(2)(f)(iv) and 12(2)(f)(v) of the *Auditor General Act* require that the Auditor General report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of programs. In other words, our value-for-money work assesses the administration of programs, activities, and systems by management, including major information systems. This value-for-money mandate is exercised through the auditing of various ministry and Crown-agency programs, and starting in the 2005/06 audit year, the mandate also includes value-for-money audits of the activities of selected grant recipients and Crown-controlled corporations. We refer to the government bodies and publicly funded entities that we audit as our auditees. Value-for-money audits constitute about two-thirds of the work of the Office. The results of our value-for-money audits performed between October 2006 and September 2007 are reported in Chapter 3.



It is not part of the Office's mandate to measure, evaluate, or report on the effectiveness of programs, or to develop performance measures or standards. These functions are the responsibility of the auditee's management. However, the Office is responsible for reporting instances where it has noted that the auditee has not carried out these functions satisfactorily.

We plan, perform, and report on our value-for-money work in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. These standards require that we employ adequate processes to maintain the quality, integrity, and value of our work for our client, the Legislative Assembly. Some of these processes and the degree of assurance they enable us to provide are described below.

### Selection of Programs and Activities for Audit

Major programs and activities administered by ministries are audited at approximately five-to-seven-year intervals. Various factors are considered in selecting ministry programs and activities for audit each year. These factors include the results of previous audits and related follow-ups; the total revenues or expenditures at risk; the impact of the program or activity on the public; the inherent risk due to the complexity and diversity of operations; recent significant changes in program operations; the significance of possible issues that may be identified by an audit; and the costs of performing the audit in relation to the perceived benefits. Possible issues are identified primarily through a preliminary survey of the auditee and its programs and activities.

We also consider the work completed or planned by the auditee's internal auditors. The relevance, timeliness, and breadth of scope of work done by

internal audit can have an impact on the timing, frequency, and extent of our audits. By having access to internal-audit work plans, working papers, and reports, and by relying, to the extent possible, on internal-audit activities, the Office is able to avoid duplication of effort.

With the expansion of our value-for-money mandate to the broader public sector and Crown-controlled corporations, our objective during the first two years of our new mandate has been to conduct value-for-money audits in all major grant-recipient sectors, and particularly the two largest sectors: hospitals and school boards.

### Objectives and Assurance Levels

The objective of our value-for-money work is to meet the requirements of subclauses 12(2)(f)(iv) and 12(2)(f)(v) of the *Auditor General Act* by identifying and reporting significant value-for-money issues. We also include in our reports recommendations for improving controls, obtaining better value for money, and achieving legislated objectives. Management responses to our recommendations are included in our reports.

The specific objective(s) for each audit or review conducted are clearly stated in the "Audit Objective(s) and Scope" section of each audit report—that is, each value-for-money section of Chapter 3.

In almost all cases, our work is planned and performed to provide an audit level of assurance. An audit level of assurance is obtained by interviewing management and analyzing the information it provides; examining and testing systems, procedures, and transactions; confirming facts with independent sources; and, where necessary, obtaining expert assistance and advice in highly technical areas.

An audit level of assurance is the highest reasonable level of assurance that the Office can provide concerning the subject matter. Absolute assurance that all significant matters have been identified

is not attainable for various reasons, including the limitations of testing as a means of gathering information from which to draw conclusions; the inherent limitations of control systems (for example, management or staff often have some ability to circumvent the controls over a process or procedure); the fact that much of the evidence available for concluding on our objectives is persuasive rather than conclusive in nature; and the need to exercise professional judgment in, for example, interpreting information.

Infrequently, for reasons such as the nature of the program or activity, limitations in the *Auditor General Act* or the prohibitive cost of providing a high level of assurance, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information it provides; and only limited examination and testing of systems, procedures, and transactions.

## Criteria

In accordance with professional standards for assurance engagements, work is planned and performed to provide a conclusion on the objective(s) set for the work. A conclusion is reached and observations and recommendations are made by evaluating the administration of a program or activity against suitable criteria. Suitable criteria are identified at the planning stage of our audit or review by extensively researching sources such as recognized bodies of experts; applicable laws, regulations, and other authorities; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; and applicable criteria successfully applied in other audits or reviews.

To further ensure their suitability, the criteria being applied are fully discussed with the senior management responsible for the program or activity at the planning stage of the audit or review.

## Communication with Senior Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the audit or review. Before beginning the work, our staff meet with management to discuss the objective(s) and criteria and the focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with senior management. Management provides written responses to our recommendations, and these are discussed and incorporated into the draft report. The Auditor General finalizes the draft report (on which the Chapter 3 section of the Annual Report will be based) with the deputy minister or head of the agency, corporation, or grant-recipient organization responsible, after which the report is published in the Annual Report.

## Attest Audits

Attest (financial statement) audits are designed to permit the expression of the auditor's opinion on a set of financial statements in accordance with generally accepted auditing standards. The opinion states whether the operations and financial position of the entity, as reflected in its financial statements, have been fairly presented in compliance with appropriate accounting policies, which in most cases are Canadian generally accepted accounting principles. The Office conducts attest audits of the consolidated financial statements of the province and of numerous Crown agencies on an annual basis.

The Auditor General, under subsection 9(1) of the *Auditor General Act*, is required to audit the accounts and records of the receipt and disbursement of public money forming part of the

Consolidated Revenue Fund, whether held in trust or otherwise. To this end, and in accordance with subsection 12(3), the Office carries out an annual attest audit to enable the Auditor General to express an opinion on whether the province's consolidated financial statements are fairly presented.

With respect to reporting on attest audits of agencies, agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible. Our Office also provides copies of the audit opinions and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

In instances where matters that require improvements by management have been noted during the course of an agency attest audit, a draft management letter is prepared, discussed with senior management, and revised as necessary to reflect the results of the discussion. Following clearance of the draft management letter and the response of the agency's senior management, a final management letter is prepared and, if deemed necessary, discussed with the agency's Audit Committee and issued to the agency head.

### Compliance Audits

Subsection 12(2) of the *Auditor General Act* also requires that the Auditor General report observe instances where:

- accounts were not properly kept or public money was not fully accounted for;
- essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to check effectively the assessment, collection, and proper allocation of revenue or to ensure that expenditures were made only as authorized; or
- money was expended other than for the purposes for which it was appropriated.

We often assess the controls for managing these risks as part of our annual agency attest audits. As part of our value-for-money work, we:

- identify provisions in legislation and authorities that govern the programs, activities, agencies, corporations, or grant-recipient organizations being examined or that the management is responsible for administering; and
- perform such tests and procedures as we deem necessary to obtain reasonable assurance that management has complied with legislation and authorities in all significant respects.

### SPECIAL ASSIGNMENTS

As discussed previously, under sections 16 and 17 of the *Auditor General Act*, the Auditor General has additional reporting responsibilities relating to special assignments for the Legislative Assembly, the Standing Committee on Public Accounts, or a minister of the Crown. At the conclusion of such work, the Auditor General normally reports to the authority that initiated the assignment.

### CONFIDENTIALITY OF WORKING PAPERS

In the course of our reporting activities, we prepare draft audit reports and management letters that are considered to be an integral part of our audit working papers. It should be noted that these working papers, according to section 19 of the *Auditor General Act*, do not have to be laid before the Assembly or any of its committees. As well, because our Office is exempt from the *Freedom of Information and Protection of Privacy Act*, our reports and audit working papers, which include all information obtained during the course of an audit from the auditee, cannot be accessed from our Office, thus further ensuring confidentiality.

## CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. The Code is intended to be a general statement of philosophy, principles, and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence, and integrity in their work. The Code provides the reasoning for these expectations and further describes the Office's responsibilities to the Legislative Assembly, the public, and our audit entities. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations. All employees are required to complete an annual conflict-of-interest declaration.

## Office Organization and Personnel

The Office is organized into portfolio teams—a framework that attempts to align related audit entities and to foster expertise in the various areas of audit activity. The portfolios, which are loosely based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Assisting the Directors and rounding out the teams are a number of audit Managers and various other audit staff (see Figure 1).

The Auditor General, the Deputy Auditor General, the Directors, and the Manager of Human

Resources make up the Office's Senior Management Committee.

## Canadian Council of Legislative Auditors

This year, British Columbia hosted the 35th annual meeting of the Canadian Council of Legislative Auditors (CCOLA) in Victoria, from August 19 to 21, 2007. This annual gathering has, for a number of years, been held jointly with the annual conference of the Canadian Council of Public Accounts Committees. It brings together legislative auditors and members of the Standing Committees on Public Accounts from the federal government and the provinces and territories, and provides a useful forum for sharing ideas and exchanging information.

## International Visitors

As an acknowledged leader in value-for-money auditing, the Office periodically receives requests to meet with delegations from abroad to discuss the roles and responsibilities of the Office and to share our value-for-money and other audit experiences with them. During the audit year covered by this report, the Office received three delegations of legislators and auditors from China and two from South Africa, along with two separate visits from Australian legislators.

Figure 1: Office Organization, September 30, 2007

<b>Auditor General</b>	<b>Human Resources</b>	<b>Operations</b>
Jim McCarter	Annemarie Wiebe, Manager Shayna Whiteford, HR Assistant	John Sciarra, Director
<b>Deputy Auditor General</b>	<b>Professional Practices</b>	<b>Administration</b>
Gary Peall	David Lee, Manager	Shanta Persaud, Financial and Administrative Services Co-ordinator Maureen Bissonnette, Accounts Payable Clerk Elisa Johnston, Receptionist Sohani Myers, Administrative Clerk Christine Wu, Administrative Assistant
	<b>Research</b>	<b>Communications and Government Advertising Review</b>
	John Landerkin, Manager Michael Radford	Christine Pedias (Acting)/Andréa Vanasse, Manager of Corporate Communications and Government Advertising Review Shirley Falkner, Administrative Co-ordinator Mariana Green, Web and Production Officer Tiina Randoja, Editorial and Communications Co-ordinator
		<b>Information Technology</b>
		Peter Lee, Systems Specialist Shams Ali, Systems Officer
<b>Audit Portfolios and Staff</b>		
<b>Health and Health Promotion</b>	<b>Public Accounts, Finance, and Information Technology</b>	<b>Crown Agencies</b>
Rudolph Chiu, Director Sandy Chan, Manager Denise Young, Manager Frederick Chan Anita Cheung Oscar Rodriguez Pasha Sidhu Celia Yeung Gigi Yip	Paul Amodeo, Director Rita Mok, Manager Bill Pelow, Manager Suzanna Chan Henry Cheng Marcia DeSouza Ben Lau	John McDowell, Director Walter Allan, Manager Tom Chatzidimos Jasmine Chen Mary Romano Megan Sim
<b>Transportation, Infrastructure, and Municipal Affairs</b>	<b>Education and Training</b>	<b>Health and Long-Term Care Providers</b>
Andrew Cheung, Director Gus Chagani, Manager Teresa Carello Kim Cho Jindong Fu Isabella Ho Jemima Lao Fiona Mak Myuran Palasandiran Gajalini Ramachandran Alexander Truong	Nick Mishchenko, Director Michael Brennan, Manager Fraser Rogers, Manager Ariane Chan Zahra Jaffer Mythili Kandasamy Emanuel Tsikrakis Dora Ulisse Brian Wanchuk Oksana Wasylyk	Susan Klein, Director Laura Bell, Manager Naomi Herberg, Manager Kevin Aro Matthew Brikis Sally Chang Ted D'Agostino Veronica Ho Gloria Tsang
<b>Justice and Regulatory</b>	<b>Community and Social Services, and Revenue</b>	<b>Economic Development, Environment, and Natural Resources</b>
Vince Mazzone, Director Rick MacNeil, Manager Vishal Baloria Helen Chow Howard Davy Kandy Fletcher Linda Fung Rashmeet Gill Mark Hancock Anat Ishai Alfred Kiang Cynthia Lau	Walter Bordne, Director Wendy Cumbo, Manager Johan Boer Stephanie Chen Constantino De Sousa Katrina Exaltacion Inna Guelfand Li-Lian Koh Angela Schieda Aldora Sequeira Nick Stavropoulos Maria Zuyev	Gerard Fitzmaurice, Director Vanna Gotsis, Manager Tony Tersigni, Manager Izabela Beben Tino Bove Jason Hung Roger Munroe Catherine Porter Mark Smith Zhenya Stekovic Ellen Tepelenas



## Financial Accountability

The following highlights and audited financial statements outline the Office's financial results for the 2006/07 fiscal year.

### FINANCIAL HIGHLIGHTS

The 2006/07 fiscal year was among the most challenging and productive in the Office's history for several reasons:

- We continued to exercise our expanded value-for-money mandate by conducting four more audits in the broader public sector. These included our first value-for-money audits of GO Transit, universities, and long-term-care facilities and our second series of audits at hospitals.
- We completed two special assignments: a special review for the Minister of Energy of the Bruce Power Refurbishment Agreement, which was issued in April 2007, and a special review for the Premier of Ontario of Year-end Grants Provided by the Ministry of Citizenship and Immigration, which was requested in May 2007 and delivered two months later.

- We performed the first-ever review of the *2007 Pre-Election Report on Ontario's Finances*, as required by the *Fiscal Transparency and Accountability Act, 2004*, and released a report in June 2007.
- We invested significant effort to successfully implement new assurance standards and methodology for conducting our financial statement audits.
- We successfully met our review responsibilities under the *Government Advertising Act*.

These challenges could not have been met without the hard work and dedication of our staff and input from our expert advisors.

Figure 2 provides a comparison of our approved budget and expenditures over the last five years. Figure 3 presents the major components of our spending, and shows that 71% (73% in 2005/06) related to salary and benefit costs for our staff while professional and other services, and rent, accounted for most of the remainder. The proportions in Figure 3 have remained relatively constant in recent years, with the exception of contracted professional services. These increased significantly this year to help us manage the volume and complexity of our work.

Overall, our expenses increased by 11.4% (12.1% in 2005/06) but were again significantly

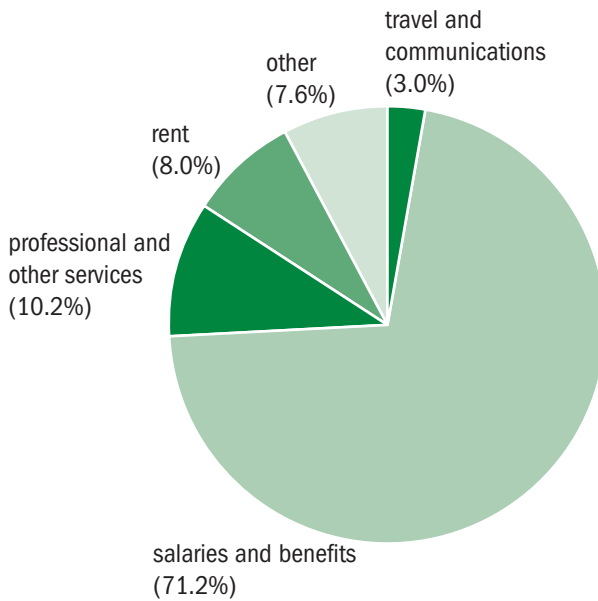
**Figure 2: Five-year Comparison of Spending (Accrual Basis) (\$ 000)**

Prepared by the Office of the Auditor General of Ontario

	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Approved budget</b>	<b>9,363</b>	<b>9,870</b>	<b>10,914</b>	<b>12,552</b>	<b>13,992</b>
<b>Actual spending</b>					
salaries and benefits	6,244	6,943	7,261	8,047	8,760
rent	918	914	891	962	985
professional and other services	654	794	877	951	1,264
travel and communications	170	205	290	324	363
other	665	679	533	756	930
<b>Total</b>	<b>8,651</b>	<b>9,535</b>	<b>9,852</b>	<b>11,040</b>	<b>12,302</b>
<b>Returned to province (based on expenses reported in the Public Accounts—see Note 7 to financial statements)</b>	<b>684</b>	<b>406</b>	<b>1,201</b>	<b>1,609</b>	<b>1,730</b>

**Figure 3: Spending by Major Expenditure Category, 2006/07**

Prepared by the Office of the Auditor General of Ontario



under budget. Over the five-year period presented in Figure 2, we have returned unspent appropriations totalling more than \$5.6 million, principally because the Office has historically faced challenges in hiring and retaining qualified professional staff in the competitive Toronto job market, where private-sector salary ranges have outpaced their public-service equivalents. A more detailed discussion of the changes in our expenses and related challenges follows.

### Salaries and Benefits

Our salary and benefit costs rose 8.9% this year, less than the overall increase in our expenses and primarily because of a staff increase and performance pay raises in line with those approved for Ontario public servants. Following a gradual increase in approved complement over the last three years, from 90 to 115 (see Figure 4), we have been able to increase gradually the average number of staff we employ to 99. That represents an increase of 11% from 2005/06 and 21% since 2002/03. However,

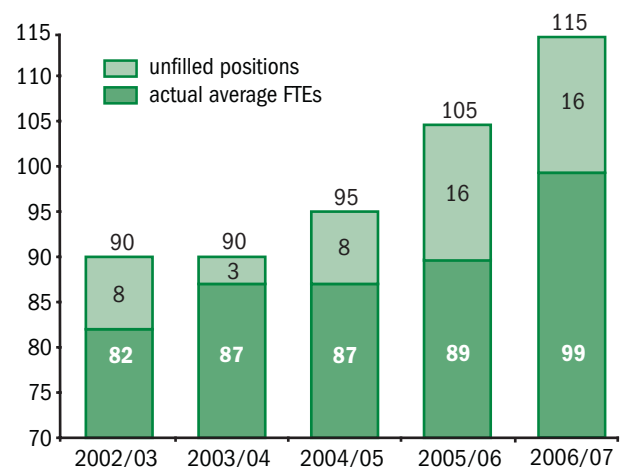
our growth this year has been primarily at the more junior levels, where our salaries and benefits are more competitive. With regard to more experienced professional accountants, we are unable to offer them salaries and benefits comparable to those in the private and broader public sectors. This is the main reason why, as Figure 4 shows, we have a significant number of unfilled positions.

For example, according to results of a national survey conducted for the Canadian Institute of Chartered Accountants (CICA) and reported in August 2007, the average compensation for CAs is up 14% since 2005 to \$186,500 (\$193,700 in Ontario). While the average salary for a new CA was \$68,300, which is roughly comparable to our salary range for new CAs, the average salary for a CA with five years of post-qualifying experience rose to \$117,700, which is higher than the salary of our audit-manager positions, even though all our managers have more than five years of post-qualifying experience and many have substantially more. The salaries of our highest-paid staff in the 2006 calendar year are disclosed in Note 6 to our financial statements.

Under the *Auditor General Act*, our salary levels must be comparable to the salary ranges of similar positions in the government, and these ranges remain uncompetitive with those offered by both

**Figure 4: Staffing, 2002/03-2006/07**

Prepared by the Office of the Auditor General of Ontario



the not-for-profit and the private sectors. According to the recent CICA survey, average salaries for CAs in government (\$108,700) are 16% lower than those in the not-for-profit sector (\$130,000) and 32% lower than those in professional service firms (\$159,400), our primary competitors for professional accountants. CAs in industry are, on average, paid even more.

## Rent

Our costs for accommodation increased a modest 2.4% because this was the first full year of rental costs for the remaining 10% of office space on our floor that we acquired in the previous fiscal year to accommodate the increase in staff. Accommodation costs continue to decline as a percentage of total spending.

## Professional and Other Services

These services represent our most significant cost pressure, having increased \$313,000, or almost 33%, over the previous year. The largest component of the increase, costs for contract professionals, has risen for two reasons:

- We were forced to rely more on contract professionals because of difficulties in reaching our approved full complement given the uncompetitive salary levels, more complex work, and tighter deadlines for finalizing financial statement audits of Crown agencies and the province. Our requirement for contract professionals also grew because of the increasing need to allocate our own staff to our expanded value-for-money mandate.
- We incurred higher contract costs for the CA firms that we engaged because of the higher salaries they pay their staff and the additional hours required to implement new assurance

standards. Our higher production volume this year also increased our requirement for contract editorial assistance.

## Travel and Communications

With the expansion of our mandate to audit broader-public-sector organizations, we are incurring significantly more travel costs than in the past. This, along with the need to maintain secure and convenient electronic communications with our increasing number of staff in the field, has led to a 12% rise in costs over last year, and more than a doubling since 2002/03.

## Other

Other costs include asset amortization, training, and statutory expenses. These have increased by \$174,000, or 23%, over last year. Statutory expenses increased more than 50%, owing mainly to the need to hire specialist expertise to assist us with our examination of the Bruce Power Refurbishment Agreement and to the required payout of unused vacation credits to the Auditor General. These costs have been included in employee benefits each year, but in the case of the Auditor General, the actual payment of unused vacation credits is considered a statutory expenditure.

We have also invested 17% more in training because of the increase in staff and the need to prepare them for the new assurance standards and financial statement audit methodology we have adopted.

These increases were moderated somewhat by reduced costs associated with our administration of the *Government Advertising Act* since most of the initial implementation costs were incurred last year and, accordingly, there was less need for expert assistance in this regard.

## FINANCIAL HIGHLIGHTS



Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2007 are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian generally accepted accounting principles.

To ensure the integrity and objectivity of the financial data, management maintains a system of internal controls including an appropriate code of conduct and an organizational structure that effectively segregates duties. These controls provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded and financial information is reliable and accurate.

The financial statements have been audited by the firm of Allen & Miles LLP, Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Jim McCarter, CA  
Auditor General

Gary R. Peall, CA  
Deputy Auditor General

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## AUDITORS' REPORT TO THE BOARD OF INTERNAL ECONOMY OF THE LEGISLATIVE ASSEMBLY OF ONTARIO

We have audited the statement of financial position of the Office of the Auditor General of Ontario as at March 31, 2007 and the statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the management of the Office of the Auditor General of Ontario. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2007 and the results of its operations and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information is unaudited and not considered as part of the financial statements on which we have expressed our opinion.

*Allen & Miles LLP*

Licensed Public Accountants

Toronto, Canada  
 August 14, 2007



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**Office of the Auditor General of Ontario**  
**Statement of Financial Position**  
**As at March 31, 2007**


	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current		
Cash	337,829	175,192
Due from Consolidated Revenue Fund	365,969	526,452
	<u>703,798</u>	<u>701,644</u>
Capital Assets (Note 3)	564,876	555,748
<b>Total assets</b>	<u>1,268,674</u>	<u>1,257,392</u>
<b>Liabilities</b>		
Accounts payables and accrued liabilities	1,171,798	1,305,644
<b>Accrued employee benefits obligation</b> [Note 4(B)]	1,995,000	1,810,000
<b>Net assets (Accumulated deficit)</b>		
Investment in capital assets (Note 3)	564,876	555,748
Accumulated deficit [Note 2(B)]	(2,463,000)	(2,414,000)
	<u>(1,898,124)</u>	<u>(1,858,252)</u>
<b>Total liabilities and accumulated deficit</b>	<u>1,268,674</u>	<u>1,257,392</u>

**Commitment** (Note 5)

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

  
 \_\_\_\_\_  
 Jim McCarter  
 Auditor General

  
 \_\_\_\_\_  
 Gary Peall  
 Deputy Auditor General



## Office of the Auditor General of Ontario

### Statement of Operations and Accumulated Deficit

#### For the Year Ended March 31, 2007

	2007 Budget \$	2007 Actual \$	2006 Actual \$
<b>Revenue</b>			
Consolidated Revenue Fund – Voted appropriation	13,992,200	13,992,200	12,552,200
<b>Expenses</b>			
Salaries and wages	8,503,200	7,205,845	6,426,221
Employee benefits (Note 4)	1,911,300	1,554,185	1,620,989
Office rent	1,000,000	984,551	961,877
Professional and other services	1,369,500	1,263,785	951,197
Amortization of capital assets	–	250,829	217,047
Travel and communication	281,800	363,367	323,719
Training and development	172,900	132,385	113,555
Supplies and equipment	373,500	97,171	75,621
Transfer payment: CCAF-FCVI Inc.	50,000	50,000	50,000
Statutory expenses: <i>Auditor General Act</i>	248,000	362,564	233,337
<i>Government Advertising Act</i>	82,000	37,456	66,410
Total expenses (Note 7)	13,992,200	12,302,138	11,039,973
<b>Excess of revenue over expenses</b>	–	1,690,062	1,512,227
<b>Less: returned to the Province</b>	–	(1,729,934)	(1,608,914)
<b>Net deficiency of revenue over expenses (Note 2B)</b>		39,872	96,687
<b>Accumulated deficit, beginning of year</b>		1,858,252	1,761,565
<b>Accumulated deficit, end of year</b>		1,898,124	1,858,252

See accompanying notes to financial statements.

## Office of the Auditor General of Ontario

### Statement of Cash Flows

For the Year Ended March 31, 2007

	2007	2006
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>Cash flows from operating activities</b>		
Net deficiency of revenue over expenses	(39,872)	(96,687)
Amortization of capital assets	250,829	217,047
Accrued employee benefits obligation	185,000	120,000
	<u>395,957</u>	<u>240,360</u>
<b>Changes in non-cash working capital</b>		
Decrease (increase) in due from Consolidated Revenue Fund	160,483	(186,084)
Increase (decrease) in accounts payable and accrued liabilities	(133,846)	389,412
	<u>26,637</u>	<u>203,328</u>
<b>Investing activities</b>		
Purchase of capital assets	<u>(259,957)</u>	<u>(494,360)</u>
<b>Net increase (decrease) in cash position</b>	162,637	(50,672)
<b>Cash position, beginning of year</b>	<u>175,192</u>	<u>225,864</u>
<b>Cash position, end of year</b>	<u><u>337,829</u></u>	<u><u>175,192</u></u>

See accompanying notes to financial statements.

# Office of the Auditor General of Ontario

## Notes to Financial Statements

March 31, 2007

### 1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office of the Auditor General promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Auditor General is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

### 2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

#### (A) ACCRUAL BASIS

These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

#### (B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the approved appropriation was prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets and the recognition of employee benefit costs earned to date but that will be funded from future appropriations.

#### (C) CAPITAL ASSETS

Capital assets are recorded at historical cost less accumulated amortization. Amortization of capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

## Office of the Auditor General of Ontario

### Notes to Financial Statements

March 31, 2007

## 2. Significant Accounting Policies (Continued)

### (D) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

## 3. Capital Assets

	2007			2006
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Computer hardware	509,045	321,768	187,277	230,423
Computer software	212,611	123,523	89,088	68,838
Furniture and fixtures	247,305	59,989	187,316	158,659
Leasehold improvements	130,226	29,031	101,195	97,828
	<u>1,099,187</u>	<u>534,311</u>	<u>564,876</u>	<u>555,748</u>

Investment in capital assets represents the accumulated cost of capital assets less accumulated amortization and disposals.

## 4. Obligation For Future Employee Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. These benefits are accounted for as follows:

### (A) PENSION BENEFITS

The Office provides pension benefits for its full-time employees through participation in the Public Service Pension Fund (PSPF), which is a multi-employer defined benefit plan established by the Province of Ontario. As the Office has insufficient information to apply defined benefit plan accounting, the pension expense represents the Office's contributions to the plan for current service of employees during this fiscal year and any additional employer contributions for service relating to prior years. The Office's contributions related to the pension plan for the year were \$536,635 (2006 – \$497,853) and are included in employee benefits in the Statement of Operations and Accumulated Deficit.

## Office of the Auditor General of Ontario

### Notes to Financial Statements

March 31, 2007

#### 4. Obligation For Future Employee Benefits (Continued)

##### (B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

Although the costs of any legislated severance and unused vacation entitlements earned by employees are recognized by the Province when earned by eligible employees, these costs are also recognized in these financial statements. These costs for the year amounted to \$290,000 (2006 – \$374,000) and are included in employee benefits and statutory expenses in the Statement of Operations and Accumulated Deficit. The total liability for these costs is reflected in the accrued employee benefits obligation, less any amounts payable within one year, which are included in accounts payable and accrued liabilities, as follows:

	2007	2006
	\$	\$
Total liability for severance and vacation	2,463,000	2,414,000
Less: Due within one year and included in accounts payable and accrued liabilities	(468,000)	(604,000)
Accrued employee benefits obligation	<u>1,995,000</u>	<u>1,810,000</u>

##### (C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

#### 5. Commitment

The Office has an operating lease to rent premises for an 11-year period, which commenced November 1, 2000. The minimum rental commitment for the remaining term of the lease is as follows:

	\$
2007-08	525,369
2008-09	525,369
2009-10	525,369
2010-11	525,369
2011-12	306,465

## Office of the Auditor General of Ontario

### Notes to Financial Statements

March 31, 2007

#### 6. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of Ontario public-sector employees paid an annual salary in excess of \$100,000 in calendar year 2006.

Name	Position	Salary \$	Taxable Benefits \$
McCarter, Jim	Auditor General	224,206.46	317.45
Peall, Gary	Deputy Auditor General	156,831.00	261.77
Amodeo, Paul	Director	127,726.58	210.63
Bordne, Walter	Director	117,220.90	211.68
Cheung, Andrew	Director	127,739.66	211.68
Chiu, Rudolph	Director	108,472.87	180.02
Fitzmaurice, Gerard	Director	125,813.11	210.63
Klein, Susan	Director	117,055.87	200.67
Mazzone, Vince	Director	109,399.27	183.79
McDowell, John	Director	125,813.11	210.63
Mishchenko, Nicholas	Director	125,813.11	210.63
Sciarra, John	Director of Operations	108,472.87	180.02
Bell, Laura	Audit Manager	102,098.20	168.33
Brennan, Michael	Audit Manager	103,633.87	169.14
Chagani, Gus	Audit Manager	102,098.20	168.33
Gotsis, Vanna	Audit Manager	102,090.93	169.14
Landerkin, John	Audit Manager	100,568.72	168.33
Lee, David	Audit Manager	102,090.93	169.14
Mok, Rita	Audit Manager	102,090.93	169.14
Rogers, Fraser	Audit Manager	100,568.72	168.33
Tersigni, Anthony	Audit Manager	100,568.72	168.33
Wiebe, Annemarie	Manager, Human Resources	100,568.72	168.33



## Office of the Auditor General of Ontario

### Notes to Financial Statements

March 31, 2007

#### 7. Reconciliation to Public Accounts Volume 1 Basis of Presentation

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for the Province's financial statements, under which purchases of computers and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. Volume 1 also excludes the accrued employee future benefit costs recognized in these financial statements as well as in the Province's summary financial statements. A reconciliation of total expenses reported in volume 1 to the total expenses reported in these financial statements is as follows:

	<b>2007</b>	<b>2006</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Total expenses per Public Accounts Volume 1	12,262,266	10,943,286
Less: purchase of capital assets	(259,957)	(494,360)
Add: amortization of capital assets	250,829	217,047
change in accrued future employee benefit costs	49,000	374,000
Total expenses per audited financial statements	<u>12,302,138</u>	<u>11,039,973</u>

#### 8. Financial Instruments

The carrying amounts of cash, due from Consolidated Revenue Fund, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The fair value of the accrued employee benefits obligation has not been determined. Information regarding this financial instrument is provided in Note 4.

# The Standing Committee on Public Accounts

## Appointment and Composition of the Committee

The Standing Orders of the Legislature provide for the appointment of an all-party Standing Committee on Public Accounts. The Committee is appointed for the duration of the Parliament (that is, the period from the opening of the first session immediately following a general election to the end of a government's term and the calling of another election).

The membership of the Committee reflects proportionately the representation of parties in the Legislature. All members except for the Chair are entitled to vote on motions; the Chair's vote is restricted to the breaking of a tie.

In accordance with the Standing Orders, a Standing Committee on Public Accounts was appointed on June 17, 2004, for the duration of the 38th Parliament. The membership of the Committee when the House prorogued (that is, when the second session of the 38th Parliament came to an end) on June 5, 2007, was as follows:

Norm Sterling, Chair, Progressive Conservative  
Ernie Hardeman, Vice-chair, Progressive Conservative  
Jean-Marc Lalonde, Liberal  
Lisa MacLeod, Progressive Conservative

Shelley Martel, New Democrat  
John Milloy, Liberal  
Richard Patten, Liberal  
Liz Sandals, Liberal  
Monique Smith, Liberal

## Role of the Committee

The Committee examines, assesses, and reports to the Legislature on a number of issues, including the economy and efficiency of government operations; the effectiveness of programs in achieving their objectives; controls over assets, expenditures, and the assessment and collection of revenues; and the reliability and appropriateness of information in the Public Accounts.

In fulfilling this role, pursuant to its terms of reference in the Standing Orders of the Assembly, the Committee reviews the Auditor General's Annual Report and the Public Accounts and reports to the Legislature its observations, opinions, and recommendations. Under the Standing Orders, the documents are deemed to have been permanently referred to the Committee as they become available.

As well, under sections 16 and 17 of the *Auditor General Act*, the Committee may request the Auditor General to undertake a special assignment in an area of interest to the Committee.

## AUDITOR GENERAL'S ADVISORY ROLE WITH THE COMMITTEE

In accordance with section 16 of the *Auditor General Act*, the Auditor General and senior staff attend committee meetings to assist the Committee in its review and hearings relating to the Auditor General's Annual Report and the Public Accounts.

## Committee Procedures and Operations

### GENERAL

The Committee meets weekly when the Legislature is sitting. The Committee can also meet at any other time that the Legislature is not sitting. All meetings are open to the public with the exception of those dealing with the setting of the Committee's agenda and the preparation of committee reports. All public committee proceedings are recorded in Hansard (the official verbatim report of debates in the House, speeches, other proceedings in the Legislature, and all open-session sittings of standing and select committees).

The Committee selects matters from the Auditor General's Annual Report and the Public Accounts for hearings. The Auditor General, along with the Committee's researcher, briefs the Committee on these matters, and the Committee then requests senior officials from the auditee to appear and respond to questions at the hearings. Since the Auditor General's Annual Report and the Public Accounts deal with operational, administrative, and financial rather than policy matters, ministers rarely attend. Once the hearings are completed, the Committee reports its comments and recommendations to the Legislature.

The Committee also follows up on when and how those ministries and Crown agencies not selected for detailed review will address the concerns raised in

the Auditor General's Annual Report. This process enables each auditee to update the Committee on activities undertaken to address the Auditor General's recommendations since the completion of the audit.

### MEETINGS HELD

The Committee was very active and met 19 times during the October 2006–May 2007 period to review the following sections from the Auditor General's *2005* and *2006 Annual Reports* and to write reports, where warranted, for subsequent tabling in the Legislature.

#### Auditor General's 2006 Annual Report

- Community Colleges—Acquisition of Goods and Services;
- Hospitals—Management and Use of Digital Imaging Equipment;
- Hydro One Inc.—Acquisition of Goods and Services;
- Ontario Health Insurance Plan;
- Ontario Realty Corporation—Real Estate and Accommodation Services; and
- School Boards—Acquisition of Goods and Services.

#### Auditor General's 2005 Annual Report

- Ministry of Children and Youth Services—Child Care Activity;
- Ministry of Government Services—Charitable Gaming;
- Ministry of Government Services—Office of the Registrar General;
- Ministry of Transportation—Driver and Vehicle Private Issuing Network; and
- Follow-ups to the recommendations contained in the *2003 Annual Report*:

- Ministry of Children and Youth Services—Children’s Mental Health Services; and
- Ministry of Training, Colleges and Universities—Ontario Student Assistance Program.

## Reports of the Committee

### GENERAL

The Committee issues its reports to the Legislature. These reports summarize the information reviewed by the Committee during its meetings, together with comments and recommendations.

All committee reports are available through the Clerk of the Committee (or online at [www.ontla.on.ca](http://www.ontla.on.ca)), thus providing the public with full access to the findings and recommendations of the Committee.

After the Committee tables a report in the Legislative Assembly, it requests that ministries or agencies respond to each recommendation either within 120 days or within a time frame stipulated by the Committee.

During the period from October 2006 to May 2007, the Committee submitted the following reports to the Legislative Assembly:

- *Charitable Gaming*;
- *Child Care Activity*;
- *Driver and Vehicle Private Issuing Network*;
- *Ontario Health Insurance Program*; and
- *Ontario Student Assistance Program*.

### FOLLOW-UP TO RECOMMENDATIONS MADE BY THE COMMITTEE

The Clerk of the Committee is responsible for following up on the actions taken on the Committee’s recommendations by ministries or agencies.

The Office of the Auditor General reviews responses from ministries and agencies and, in subsequent audits, follows up on reported actions taken.

### OTHER COMMITTEE ACTIVITIES

#### Canadian Council of Public Accounts Committees and Visiting Delegations

The Canadian Council of Public Accounts Committees (CCPAC) consists of delegates from federal, provincial, and territorial public accounts committees from across Canada. CCPAC meets at the same time and place as the Canadian Council of Legislative Auditors (CCOLA) to provide an opportunity to discuss issues of mutual interest. The 28th annual meeting of CCPAC was hosted by British Columbia and was held in Victoria from August 19 to 21, 2007.

The Committee had the pleasure of receiving the following official delegations during the period from October 2006 to March 2007:

- Public Accounts Committee, North West Province Legislature, Republic of South Africa (October 2006);
- Oversight Committee on the Premier’s Office and the Legislature, Gauteng Provincial Legislature, Republic of South Africa (October 2006);
- Finance Committee, Gauteng Provincial Legislature, Republic of South Africa (March 2007); and
- a delegation representing the National and Provincial People’s Congresses, Republic of China (March 2007).

## Exhibit 1

# Agencies of the Crown

### 1. Agencies whose accounts are audited by the Auditor General

AgriCorp	Ontario Clean Water Agency (December 31)*
Algonquin Forestry Authority	Ontario Development Corporation
Cancer Care Ontario	Ontario Educational Communications Authority
Centennial Centre of Science and Technology	Ontario Electricity Financial Corporation
Chief Electoral Officer, <i>Election Finances Act</i>	Ontario Energy Board
Election Fees and Expenses, <i>Election Act</i>	Ontario Exports Inc.
Financial Services Commission of Ontario	Ontario Financing Authority
Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat, and Canola	Ontario Food Terminal Board
Investor Education Fund, Ontario Securities Commission	Ontario Heritage Trust
Legal Aid Ontario	Ontario Immigrant Investor Corporation
Liquor Control Board of Ontario	Ontario Media Development Corporation
Livestock Financial Protection Board, Fund for Livestock Producers	Ontario Mortgage and Housing Corporation
Northern Ontario Heritage Fund Corporation	Ontario Northland Transportation Commission
North Pickering Development Corporation	Ontario Place Corporation
Office of the Assembly	Ontario Racing Commission
Office of the Children's Lawyer	Ontario Realty Corporation
Office of the Environmental Commissioner	Ontario Securities Commission
Office of the Information and Privacy Commissioner	Owen Sound Transportation Company Limited
Office of the Ombudsman	Pension Benefits Guarantee Fund, Financial Services Commission of Ontario
	Province of Ontario Council for the Arts
	Provincial Judges Pension Fund, Provincial Judges Pension Board
	Public Guardian and Trustee for the Province of Ontario
	Toronto Area Transit Operating Authority
	TVOntario Foundation

\* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

## 2. Agencies whose accounts are audited by another auditor under the direction of the Auditor General

Motor Vehicle Accident Claims Fund  
Niagara Parks Commission (October 31)\*  
Ontario Mental Health Foundation  
St. Lawrence Parks Commission  
Workplace Safety and Insurance Board  
(December 31)\*

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\* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

**Note:**

The following changes were made during the 2006/07 fiscal year:

**Addition:**

Ontario Mortgage and Housing Corporation

**Deletions:**

Ontario Housing Corporation

Ontario Strategic Infrastructure Financing Authority

Ontario Tourism Marketing Partnership Corporation



## Exhibit 2

# Crown-controlled Corporations

### Corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers, and other related documents

Agricultural Research Institute of Ontario  
Art Gallery of Ontario Crown Foundation  
Baycrest Hospital Crown Foundation  
Board of Funeral Services  
Brock University Foundation  
Canadian Opera Company Crown Foundation  
Canadian Stage Company Crown Foundation  
Central Community Care Access Centre  
Central East Community Care Access Centre  
Central East Local Health Integration Network  
Central Local Health Integration Network  
Central West Community Care Access Centre  
Central West Local Health Integration Network  
Champlain Community Care Access Centre  
Champlain Local Health Integration Network  
Deposit Insurance Corporation of Ontario  
Education Quality and Accountability Office  
Erie St. Clair Community Care Access Centre  
Erie St. Clair Local Health Integration Network  
Foundation at Queen's University at Kingston  
Greater Toronto Transit Authority  
Hamilton Niagara Haldimand Brant Community Care Access Centre  
Hamilton Niagara Haldimand Brant Local Health Integration Network  
Higher Education Quality Council of Ontario

Hydro One Inc.  
Independent Electricity System Operator  
McMaster University Foundation  
McMichael Canadian Art Collection  
Metropolitan Toronto Convention Centre Corporation  
Mississauga Halton Community Care Access Centre  
Mississauga Halton Local Health Integration Network  
Mount Sinai Hospital Crown Foundation  
Municipal Property Assessment Corporation  
National Ballet of Canada Crown Foundation  
North East Community Care Access Centre  
North East Local Health Integration Network  
North Simcoe Muskoka Community Care Access Centre  
North Simcoe Muskoka Local Health Integration Network  
North West Community Care Access Centre  
North West Local Health Integration Network  
North York General Hospital Crown Foundation  
Northern Ontario Grow Bonds Corporation  
Ontario Family Health Network  
Ontario Foundation for the Arts  
Ontario Health Quality Council  
Ontario Infrastructure Projects Corporation  
Ontario Lottery and Gaming Corporation  
Ontario Pension Board  
Ontario Power Authority  
Ontario Power Generation Inc.  
Ontario Tourism Marketing Partnership Corporation

Ontario Trillium Foundation  
 Ottawa Congress Centre  
 Royal Botanical Gardens Crown Foundation  
 Royal Ontario Museum  
 Royal Ontario Museum Crown Foundation  
 St. Clair Parks Commission  
 Science North  
 Shaw Festival Crown Foundation  
 Smart Systems for Health Agency  
 Stadium Corporation of Ontario Limited  
 South East Community Care Access Centre  
 South East Local Health Integration Network  
 South West Community Care Access Centre  
 South West Local Health Integration Network  
 Stratford Festival Crown Foundation  
 Sunnybrook Hospital Crown Foundation  
 Toronto Central Community Care Access Centre

Toronto Central Local Health Integration Network  
 Toronto East General Hospital Crown Foundation  
 Toronto Hospital Crown Foundation  
 Toronto Islands Residential Community Trust  
 Corporation  
 Toronto Symphony Orchestra Crown Foundation  
 Toronto Waterfront Revitalization Corporation  
 Trent University Foundation  
 Trillium Gift of Life Network  
 University of Ottawa Foundation  
 Walkerton Clean Water Centre  
 Waterfront Regeneration Trust Agency  
 Waterloo Wellington Community Care Access Centre  
 Waterloo Wellington Local Health Integration  
 Network  
 Women's College and Wellesley Central Crown  
 Foundation

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**Note:**

The following changes were made during the 2006/07 fiscal year:

**Additions:**

Agricultural Research Institute of Ontario  
 Community Care Access Centres  
     Central Community Care Access Centre  
     Central East Community Care Access Centre  
     Central West Community Care Access Centre  
     Champlain Community Care Access Centre  
     Erie St. Clair Community Care Access Centre  
     Hamilton Niagara Haldimand Brant Community  
     Care Access Centre  
     Mississauga Halton Community Care Access  
     Centre  
     North East Community Care Access Centre  
     North Simcoe Muskoka Community Care Access  
     Centre  
     North West Community Care Access Centre  
     South East Community Care Access Centre  
     South West Community Care Access Centre  
     Toronto Central Community Care Access Centre  
     Waterloo Wellington Community Care Access  
     Centre  
 Higher Education Quality Council of Ontario  
 Independent Electricity System Operator

Local Health Integration Networks

Central East Local Health Integration Network  
 Central Local Health Integration Network  
 Central West Local Health Integration Network  
 Champlain Local Health Integration Network  
 Erie St. Clair Local Health Integration Network  
 Hamilton Niagara Haldimand Brant Local Health  
 Integration Network  
 Mississauga Halton Local Health Integration  
 Network  
 North East Local Health Integration Network  
 North Simcoe Muskoka Local Health Integration  
 Network  
 North West Local Health Integration Network  
 South East Local Health Integration Network  
 South West Local Health Integration Network  
 Toronto Central Local Health Integration  
 Network  
 Waterloo Wellington Local Health Integration  
 Network  
 Municipal Property Assessment Corporation  
 Ontario Health Quality Council  
 Ontario Infrastructure Projects Corporation  
 Ontario Power Authority  
 Ontario Tourism Marketing Partnership Corporation

**Note (continued):****Deletions:**

Access Centre for Community Care in Lanark, Leeds and Grenville	Community Care Access Centre Wellington-Dufferin
Access Centre for Hastings and Prince Edward Counties	Community Care Access Centre of York Region
Algoma Community Care Access Centre	Durham Access to Care
Brant Community Care Access Centre	East York Access Centre for Community Services
Chatham/Kent Community Care Access Centre	Elgin Community Care Access Centre
Cochrane District Community Care Access Centre	Etobicoke and York Community Care Access Centre
Community Care Access Centre for the Eastern Counties	Grey-Bruce Community Care Access Centre
Community Care Access Centre of Halton	Haldimand-Norfolk Community Care Access Centre
Community Care Access Centre for Huron	Haliburton, Northumberland and Victoria Long-Term Care Access Centre
Community Care Access Centre for Kenora and Rainy River Districts	Hamilton Community Care Access Centre
Community Care Access Centre of London and Middlesex	Kingston, Frontenac, Lennox and Addington Community Care Access Centre
Community Care Access Centre Niagara	Manitoulin-Sudbury Community Care Access Centre
Community Care Access Centre (CCAC)—Oxford	Near North Community Care Access Centre
Community Care Access Centre of Peel	North York Community Care Access Centre
Community Care Access Centre Perth County	Ottawa Community Care Access Centre
Community Care Access Centre Simcoe County	The Peterborough Community Access Centre Incorporated
Community Care Access Centre of The District of Thunder Bay	Renfrew County Community Care Access Centre
Community Care Access Centre Timiskaming	Sarnia/Lambton Community Care Access Centre
Community Care Access Centre of Waterloo Region	Scarborough Community Care Access Centre
	Toronto Community Care Access Centre
	Windsor/Essex Community Care Access Centre

## Exhibit 3

# Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to report annually all orders of the Treasury Board made to authorize payments in excess of

voted appropriations by reducing other voted appropriations, stating the date of each order, the amount authorized, and the amount expended. These are outlined in the following table.

Ministry	Date of Order	Authorized (\$)	Expended (\$)
Agriculture and Food	Aug. 17, 2006	500,000	500,000
	Sep. 14, 2006	101,000,000	101,000,000
	Nov. 16, 2006	5,000,000	5,000,000
	Nov. 16, 2006	3,000,000	—
	Dec. 20, 2006	2,575,500	2,575,500
	Mar. 15, 2007	61,800,000	60,928,665
	Mar. 22, 2007	8,700,000	8,700,000
	Mar. 29, 2007	12,500,000	7,578,383
			<b>195,075,500</b>
Attorney General	May 11, 2006	1,749,000	1,749,000
	Jun. 15, 2006	270,700	210,600
	Sep. 28, 2006	1,027,400	1,027,400
	Nov. 16, 2006	3,671,700	3,671,700
	Dec. 21, 2006	1,600,000	449,352
	Feb. 1, 2007	5,236,300	5,236,300
	Mar. 1, 2007	31,784,200	15,376,606
	Mar. 8, 2007	1,500,000	920,665
	Mar. 13, 2007	900,000	—
		<b>47,739,300</b>	<b>28,641,623</b>
Cabinet Office	Jun. 15, 2006	<b>320,900</b>	<b>171,987</b>
Children and Youth Services	Jun. 1, 2006	15,000,000	15,000,000
	Sep. 14, 2006	959,200	959,200
	Nov. 16, 2006	37,198,100	32,745,804
	Mar. 1, 2007	1,300,000	1,300,000

Ministry	Date of Order	Authorized (\$)	Expended (\$)
Children and Youth Services (continued)	Mar. 15, 2007	35,200,000	16,818,793
	Mar. 15, 2007	3,200,000	2,768,545
	Mar. 29, 2007	8,986,000	—
	Apr. 5, 2007	500,000	—
	Jun. 17, 2007	10,000,000	10,000,000
			<b>112,343,300</b>
Citizenship and Immigration	Nov. 16, 2006	1,398,000	—
	Nov. 16, 2006	2,125,000	2,125,000
	Nov. 20, 2006	460,100	460,100
	Mar. 12, 2007	262,500	262,500
	Mar. 15, 2007	250,000	250,000
	Mar. 29, 2007	500,000	500,000
	Mar. 29, 2007	100,000	99,000
	Mar. 30, 2007	3,192,600	2,785,447
		<b>8,288,200</b>	<b>6,482,047</b>
Community and Social Services	Jun. 1, 2006	845,000	845,000
	Aug. 17, 2006	25,000,000	12,035,022
	Nov. 2, 2006	18,393,000	9,359,108
	Nov. 16, 2006	36,433,700	33,800,039
	Nov. 30, 2006	1,157,000	1,157,000
	Jan. 30, 2007	75,000	—
	Jan. 30, 2007	50,000	—
	Mar. 1, 2007	6,400,000	6,400,000
	Mar. 15, 2007	3,000,000	117,431
		<b>91,353,700</b>	<b>63,713,600</b>
Community Safety and Correctional Services	Jun. 15, 2006	952,000	952,000
	Jun. 15, 2006	256,500	81,591
	Jun. 15, 2006	561,100	119,100
	Aug. 29, 2006	555,200	—
	Sep. 14, 2006	1,449,500	1,412,100
	Oct. 26, 2006	347,500	347,500
	Oct. 26, 2006	975,000	544,924
	Oct. 26, 2006	633,100	—
	Nov. 16, 2006	221,900	216,400
	Nov. 16, 2006	500,000	—
	Nov. 30, 2006	1,072,400	544,817
	Dec. 5, 2006	20,000,000	6,784,084
	Jan. 17, 2007	5,900,000	—
	Jan. 26, 2007	3,773,600	—
Mar. 1, 2007	186,500	112,000	

Ministry	Date of Order	Authorized (\$)	Expended (\$)
Community Safety and Correctional Services (continued)	Mar. 30, 2007	30,032,900	26,648,663
	Apr. 5, 2007	5,813,300	3,058,228
		<b>73,230,500</b>	<b>40,821,407</b>
Culture	Nov. 16, 2006	6,860,500	6,860,500
	Jan. 17, 2007	2,000,000	2,000,000
	Mar. 22, 2007	38,500,000	35,421,776
	Apr. 5, 2007	95,300	17,709
	<b>47,455,800</b>	<b>44,299,985</b>	
Economic Development and Trade	Jun. 15, 2006	2,110,000	1,612,723
	Nov. 16, 2006	2,000,000	—
	Jan. 29, 2007	1,305,000	—
	Mar. 22, 2007	2,200,000	—
	<b>7,615,000</b>	<b>1,612,723</b>	
Education	Jun. 1, 2006	36,719,000	—
	Aug. 17, 2006	7,500,000	7,500,000
	Dec. 19, 2006	10,086,800	—
	Mar. 1, 2007	4,938,100	3,611,738
	Mar. 22, 2007	11,990,000	—
	Apr. 2, 2007	1,564,500	—
	<b>72,798,400</b>	<b>11,111,738</b>	
Energy	Apr. 27, 2006	5,000,000	5,000,000
	Jun. 15, 2006	3,167,000	3,167,000
	Jun. 15, 2006	5,000,000	3,582,800
	Aug. 17, 2006	885,000	—
	Nov. 2, 2006	7,280,000	—
	Mar. 20, 2007	600,000	425,735
	<b>21,932,000</b>	<b>12,175,535</b>	
Environment	Nov. 2, 2006	4,385,700	3,945,229
	Mar. 14, 2007	8,204,100	8,200,574
	Mar. 22, 2007	3,780,000	3,603,374
	<b>16,369,800</b>	<b>15,749,177</b>	
Finance	Oct. 12, 2006	115,000,000	108,894,899
	Nov. 30, 2006	35,200,000	—
	Dec. 14, 2006	21,700,000	21,700,000
	Jan. 17, 2007	10,000,000	10,000,000
	Mar. 1, 2007	221,941,100	—
	Mar. 22, 2007	173,600,000	12,107,243



Ministry	Date of Order	Authorized (\$)	Expended (\$)
Finance (continued)	Mar. 22, 2007	5,500,000	5,500,000
	Mar. 28, 2007	2,200,000	1,928,207
	Jul. 19, 2007	67,000,000	35,735,435
		<b>652,141,100</b>	<b>195,865,784</b>
Government Services	Jun. 15, 2006	15,000,000	15,000,000
	Jun. 15, 2006	5,758,900	5,534,387
	Jun. 15, 2006	54,000,000	45,727,251
	Sep. 14, 2006	2,922,600	1,629,922
	Dec. 7, 2006	1,062,500	—
	Mar. 29, 2007	4,729,700	2,957,674
	Mar. 29, 2007	11,000,000	10,973,319
	Mar. 29, 2007	17,216,000	—
		<b>111,689,700</b>	<b>81,822,553</b>
Health and Long-Term Care	Oct. 12, 2006	108,800,000	57,404,015
	Jan. 17, 2007*	—	—
	Mar. 15, 2007	252,585,200	210,997,694
	Mar. 15, 2007	32,317,900	12,049,705
	Mar. 19, 2007	2,367,700	1,566,194
	Mar. 19, 2007	1,204,200	1,133,417
	Mar. 29, 2007	89,144,600	89,144,600
	Apr. 2, 2007	672,900	—
	Jul. 30, 2007	33,000,000	32,075,469
			<b>520,092,500</b>
Health Promotion	Nov. 16, 2006	26,400,000	26,400,000
	Jan. 29, 2007	123,900	—
	Mar. 22, 2007	3,000,000	—
	Mar. 29, 2007	1,000,000	24,327
		<b>30,523,900</b>	<b>26,424,327</b>
Intergovernmental Affairs	May 11, 2006	200,000	200,000
	Jul. 24, 2006	200,000	200,000
	Sep. 28, 2006	4,221,000	2,305,566
		<b>4,621,000</b>	<b>2,705,566</b>
Labour	Feb. 28, 2007	<b>129,000</b>	<b>81,745</b>
Municipal Affairs and Housing	Jun. 1, 2006	125,000	123,000
	Jun. 15, 2006	4,350,000	4,350,000
	Aug. 17, 2006	1,720,000	1,720,000
	Nov. 2, 2006	899,000	899,000

\*A Treasury Board Order for \$114,500,000 was issued on January 17, 2007, but subsequently rescinded on March 22, 2007.

Ministry	Date of Order	Authorized (\$)	Expended (\$)
Municipal Affairs and Housing (continued)	Dec. 7, 2006	900,400	900,400
	Feb. 1, 2007	3,200,000	3,200,000
	Mar. 26, 2007	4,736,000	3,734,849
	Apr. 5, 2007	1,720,000	128,705
		<b>17,650,400</b>	<b>15,055,954</b>
Natural Resources	Jun. 15, 2006	500,000	—
	Jul. 25, 2006	26,800,000	26,800,000
	Aug. 17, 2006	25,500,000	25,500,000
	Sep. 28, 2006	72,000,000	22,882,695
	Nov. 1, 2006	27,500,000	—
	Feb. 15, 2007	638,000	638,000
	Mar. 1, 2007	7,400,000	5,529,534
	Apr. 5, 2007	1,230,000	775,056
	<b>161,568,000</b>	<b>82,125,285</b>	
Northern Development and Mines	Aug. 10, 2006	20,000,000	19,000,000
	Jan. 26, 2007	3,000,000	1,898,897
	Apr. 23, 2007	11,000,000	10,903,787
		<b>34,000,000</b>	<b>31,802,684</b>
Office of Francophone Affairs	Sep. 14, 2006	100,000	60,169
	Mar. 1, 2007	102,100	—
	<b>202,100</b>	<b>60,169</b>	
Ontario Secretariat for Aboriginal Affairs	Jun. 15, 2006	4,007,000	4,007,000
	Mar. 27, 2007	2,800,000	740,666
	<b>6,807,000</b>	<b>4,747,666</b>	
Public Infrastructure Renewal	Jun. 15, 2006	12,300,000	12,300,000
	Jul. 28, 2006	9,262,500	4,010,852
	Nov. 16, 2006	70,000,000	63,836,042
	Mar. 1, 2007	107,823,500	—
	Mar. 15, 2007	10,000,000	—
	<b>209,386,000</b>	<b>80,146,894</b>	
Research and Innovation	Mar. 22, 2007	27,000,000	—
	Mar. 22, 2007	48,400,000	—
	Apr. 5, 2007	1,500,000	—
	<b>76,900,000</b>	<b>—</b>	
Tourism	Jun. 15, 2006	1,250,000	1,250,000
	Sep. 14, 2006	1,148,000	1,136,500

Ministry	Date of Order	Authorized (\$)	Expended (\$)
Tourism (continued)	Nov. 2, 2006	1,100,000	—
	Nov. 16, 2006	22,000,000	21,790,979
	Apr. 2, 2007	818,500	—
	Apr. 5, 2007	56,100	—
		<b>26,372,600</b>	<b>24,177,479</b>
Training, Colleges and Universities	Aug. 16, 2006	1,029,800	1,029,800
	Nov. 16, 2006	20,000,000	—
	Nov. 30, 2006	1,596,700	1,595,937
	Nov. 30, 2006	10,000,000	10,000,000
	Dec. 19, 2006	7,696,600	7,443,800
	Dec. 19, 2006	30,000,000	30,000,000
	Jan. 17, 2007	51,169,900	—
	Mar. 1, 2007	169,700	—
	Mar. 15, 2007	37,000,000	31,506,819
	Mar. 22, 2007	219,792,500	218,814,124
	Mar. 27, 2007	2,200,000	—
	Apr. 2, 2007	381,200	—
		<b>381,036,400</b>	<b>300,390,480</b>
Transportation	Nov. 30, 2006	150,000,000	150,000,000
	Feb. 22, 2007	36,800,000	20,782,467
	Mar. 15, 2007	24,700,000	9,573,506
	Mar. 22, 2007	351,478,800	295,821,790
	Apr. 5, 2007	1,613,400	669,497
	Apr. 5, 2007	10,200,000	4,935,395
		<b>574,792,200</b>	<b>481,782,655</b>
<b>Total Treasury Board Orders</b>		<b>3,502,434,300</b>	<b>2,222,215,047</b>





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