

Ontario Works Program

Follow-up on VFM Section 3.11, *2009 Annual Report*

Background

Under the *Ontario Works Act, 1997*, the Ministry of Community and Social Services (Ministry) provides income and employment assistance to 260,000 individuals who are unemployed, along with their qualifying family members for a total of approximately 474,000 people. The income assistance is intended to help recipients with basic living expenses such as food, clothing, and shelter, while the employment assistance includes a variety of activities designed to increase employability and help recipients obtain paid employment in order to become self-reliant. For the 2010/11 fiscal year, the Ministry's Ontario Works expenditures totalled over \$2.4 billion—\$2 billion for income assistance, \$189 million for employment assistance, and \$247 million for program administration (\$1.9 billion in 2008/09—\$1.5 billion for income assistance, \$171 million for employment assistance, and \$194 million for program administration).

The Ontario Works program is delivered on behalf of the Ministry by 47 Consolidated Municipal Service Managers and District Social Services Administration Boards as well as 101 First Nations, all referred to as service managers. A service manager is typically either a large municipality or a grouping of smaller ones, and each is accountable to one of the Ministry's nine regional offices. The Ministry and the service managers share the total

financial and employment assistance costs of the Ontario Works program. The Ministry, which currently pays 81% of these costs, has committed to start gradually increasing its share in 2010 until it pays 100% in 2018. Administrative costs will continue to be shared on a 50/50 basis.

In our *2009 Annual Report*, we noted that although the Ministry had implemented a number of the recommendations contained in our last audit of the program in 2002, there had been limited improvement in the overall administration of the program since that time. It remained our view that the Ministry still had inadequate oversight and assurance that only eligible individuals received the correct amount of financial assistance.

Our more significant concerns about the Ministry's oversight of Ontario Works program delivery by the service managers, noted in our *2009 Annual Report*, included the following:

- During the Ontario Works application process, service managers relied on individuals to provide almost all of the information used to assess their eligibility for assistance and seldom undertook the required third-party verifications designed to help assess the completeness and accuracy of the information provided by applicants.
- Benefits for such things as community and employment start-up activities were often paid without any evidence that the activity had occurred and in amounts that exceeded the established maximums.

- The total amount spent on the special dietary allowances had increased from \$5 million in the 2002/03 fiscal year to more than \$67 million during 2008/09, and we noted that many special dietary allowances were being paid under questionable circumstances.
- Unrecovered overpayments to about 350,000 current and former Ontario Works recipients had increased 45%, from \$414 million in February 2002 to \$600 million as of March 31, 2009. Efforts by service managers to recover these overpayments had been minimal, possibly owing to the lack of financial incentive for them to do so.
- Many tips from the fraud hotline had been either inadequately investigated or ignored.
- The Ministry did not have enough information to assess whether employment assistance funds were being used as intended and were helping people obtain employment.
- The Ministry's examination of a sample of service managers' reimbursement claims for the Ministry's share of program costs did not occur annually as required, nor did the examinations ensure that submitted claims were complete, accurate, and based on actual payments made to assistance recipients.

Despite improvements to the Ministry's Service Delivery Model Technology (SDMT) information system, which has been used by service managers to deliver the Ontario Works program since 2002, we continued to have concerns about the system's reliability and its known deficiencies.

Status of Actions Taken on Recommendations

In our 2009 report on the Ontario Works program, the Ministry agreed with all of our recommendations, and in its responses to our recommendations indicated that it was going to take the necessary

corrective actions. At the time of our follow-up, the Ministry had several initiatives under way, such as a new monitoring framework to assist with program oversight and compliance with program requirements, a new IT system, and a new system to prioritize high-risk cases for review to help ensure that only eligible recipients continue to receive assistance. However, it will take more time before the initiatives can be fully implemented. In addition, in November 2010, the government announced the launch of a major review of the social assistance programs in Ontario. However, insufficient monitoring of service managers remains a concern. Consequently, the Ministry does not yet have adequate assurance that, for example, recipients are financially eligible for Ontario Works benefits, either initially or on an ongoing basis, and that payments are being made in the correct amount. The Ministry has made a significant effort to enhance controls over the special dietary allowance and improve processes for the recovery of overpayments, and has implemented a new funding model.

The status of actions taken on each of our recommendations at the time of our follow-up was as follows.

MINISTRY OVERSIGHT AND CONTROL OF PROGRAM DELIVERY

Initial Financial Eligibility Assessment

Recommendation 1

To ensure that an individual's initial financial eligibility for Ontario Works benefits is adequately determined and that the correct amount of assistance is paid, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers:

- visually verify documents or obtain copies of all documents required to establish an individual's identity and legal status in Canada, especially Social Insurance Number cards; and
- comply in all cases with the requirement to verify an applicant's declared income and

assets with the third parties who have entered into information sharing agreements with the Ministry.

Status

The Ministry had made limited progress in addressing this recommendation at the time of our follow-up. However, over the longer term, the Ministry informed us that it expects to improve its oversight of service managers by developing a new, more effective social assistance computer system, to be implemented by April 2013, and by introducing a risk-based monitoring framework, which is expected to be rolled out in April 2012.

As an interim strategy, the Ministry conducted compliance reviews using a risk-based approach at all Ontario Works delivery sites during the first half of 2011 to evaluate compliance with legislation, regulations, and policy directives. These reviews targeted the following high-risk program areas, selected on the basis of the findings in our 2009 report: intake and application, overpayments, discretionary benefits provided to recipients, and participation agreements. However, the outcome of these reviews was not available at the time of our follow-up.

The Ministry also told us that it has provided optional training to service manager staff on the Equifax credit reports—a third-party verification procedure—to assist them with reading and understanding the reports. In addition, the Ministry amended the Ontario Works policy directives to strengthen its requirements regarding third-party verifications.

Financial Eligibility Reassessments

Recommendation 2

To ensure that recipients continue to be financially eligible for Ontario Works benefits and to avoid overpayments, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers:

- *complete financial reassessments on each recipient at least once every 12 months as required;*
- *use the Ministry-prescribed checklist when conducting a financial reassessment and obtain sufficient documentation, including third-party verifications, to support the outcome of the review; and*
- *help ensure that the risk flags in the Service Delivery Model Technology system are effective and are used to prioritize high-risk cases for review.*

Status

As already noted, the Ministry advised us that it is developing a new, more effective computer system, to be implemented by April 2013, and a risk-based monitoring framework to strengthen program monitoring and compliance with legislation, regulations, and policy directives, which is expected to be rolled out in April 2012. When implemented, these new initiatives are expected to help identify areas of non-compliance with program requirements, which will provide a basis for taking corrective action. Until then, the Ministry has no assurance that service managers are completing financial reassessments on each recipient at least every 24 months as currently required or that they are using the Ministry-prescribed checklist and obtaining sufficient documentation, including third-party verifications, in order to support the outcome of the review.

With regard to our recommendation on prioritizing high-risk cases for review, the Ministry informed us that it has developed a new risk-based eligibility reassessment process in conjunction with Equifax Canada, called the Eligibility Verification Model. This new model is expected to assist in the identification and prioritization of high-risk cases for eligibility reviews by linking Ontario Works data with Equifax consumer credit databases. Testing of the new process began in October 2010, but it had not yet been implemented at the time of our follow-up.

Other Income Reporting

Recommendation 3

To ensure that financial assistance provided by Ontario Works is in the correct amount and to minimize overpayments, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers receive a monthly income report from each recipient, unless they waived the requirement for sound reasons that are documented on file. If it is the Ministry's intention that Consolidated Municipal Service Managers require the report on an exception basis only, that should be more clearly communicated.

Status

The Ministry informed us that it has reviewed and revised its income reporting directive to clarify and provide examples of conditions where the monthly reporting requirement can be waived, and to strengthen the documentation requirements to now include current income at the time of the waiver, the length of time the waiver is to be in place, and the need to review the waiver on a regular basis. However, without conducting any follow-up or verification reviews at the service managers, these revisions, in themselves, do not provide assurance to the Ministry that the required monthly income reports are now being received on a consistent basis.

Other Financial Assistance and Benefits, and Special Dietary Allowance

Recommendation 4

To ensure that supplemental financial assistance and benefits provided under the Ontario Works program are reasonable and appropriate, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers:

- *comply with the requirement to document the need and eligibility for supplemental financial assistance and benefits, and provide such assistance and benefits within the established maximum amounts; and*

- *obtain the required documentation to assess and substantiate the reasonableness of costs reimbursed.*

In addition, the Ministry should review the special dietary allowance with a view to limiting its possible abuse.

Status

As mentioned previously, as a long-term strategy, the Ministry expects that the new social assistance computer system and risk-based monitoring framework it is developing will strengthen program monitoring of legislative, regulatory, and policy requirements. In the interim, the Ministry completed compliance reviews targeting high-risk program areas identified in our 2009 report, including supplementary benefits provided to recipients. However, the outcome of these reviews was not available at the time of our follow-up.

With regard to the special dietary allowance, the Ministry undertook a forensic audit to determine the extent of possible misuse of the allowance, which corroborated many of the findings in our *2009 Annual Report*. In March 2010, the government announced plans to eliminate the special dietary allowance and create a new medically based nutritional supplement program for social assistance recipients with severe medical needs that would be administered by the Ministry of Health and Long-Term Care. However, in November 2010, the government announced that the special dietary allowance would continue, but would be revised to comply with a previous order of the Human Rights Tribunal of Ontario and with the recommendations of an expert committee.

The changes to the administration of the special dietary allowance, which took effect in April 2011, included the following:

- removing from the list of eligible conditions those that the expert committee found to not require a special dietary allowance;
- revising the application form to require recipients to consent to the release of relevant

medical information by their physician to support their application;

- requiring Ontario Works recipients to reapply for the special dietary allowance, which has resulted in a drop of about 14,500 cases receiving the allowance, or a funding impact of about \$2.6 million per month;
- filing complaints with the College of Physicians and Surgeons where deemed appropriate; and
- confirming that service managers and their staff have the legislative authority to determine eligibility for the allowance, including the authority to request additional information or deny an application in cases where the information provided is believed to be false or incorrect.

In addition, the Ministry began to use its IT system to help identify questionable trends in a timely manner so that appropriate action could be taken by service managers.

Although these changes are intended to improve the administration of the special dietary allowance, the Ministry will still need to monitor the service managers to ensure that they are complying with the new requirements in order to limit potential abuse of the allowance.

Overpayments

Recommendation 5

To better utilize its limited resources and maximize the recovery of previous overpayments, the Ministry of Community and Social Services should:

- *ensure that Consolidated Municipal Service Managers assess the collectibility of all outstanding overpayments—particularly those designated as temporarily uncollectible—and, where warranted, recommend that the overpayments be written off so that more focus can be placed on those accounts where collection efforts are more apt to yield results; and*
- *evaluate the merits of the 2006 pilot project that transferred some overpayments to the Ministry's*

Overpayment Recovery Unit and, if necessary, consider implementing other alternatives for bringing a more intensive and focused collection effort to bear on those inactive accounts that have a greater likelihood of collection.

Status

In February 2010, the Ministry established the Social Assistance Overpayment Recovery Working Group to thoroughly review its overpayment policies and recovery practices, to research industry standards, and to develop strategies for improving the Ministry's collection efforts. This group also reviewed the 2006 pilot project involving the Ministry's Overpayment Recovery Unit (ORU).

The working group issued a report in December 2010 and an implementation plan was developed for, among other things, the writeoff of uncollectible overpayments. A review was then undertaken of existing overpayments and, as a result, certain overpayments deemed to be uncollectible were recommended for writeoff. At the time of our follow-up, the majority (about \$80 million worth) of these uncollectible accounts had been written off. The writeoff of these uncollectible accounts should allow the Ministry and service managers to better focus their collection efforts on accounts that have a better chance of being collected.

The working group also reviewed the operations of the ORU in the 2006 pilot project and the results it achieved, and recommended that the program be expanded to all service managers, since the amounts collected exceeded the cost of the collection efforts. It also recommended improvements aimed at achieving more effective and cost-efficient results, such as having a common IT system for the service managers and the ORU, and conducting efficiency reviews at both offices to avoid duplication.

Potentially Fraudulent Claims

Recommendation 6

To ensure that only eligible individuals receive financial assistance and that adequate action is taken

when suspected fraud is reported, the Ministry of Community and Social Services should ensure that Consolidated Municipal Service Managers:

- in a timely manner, follow up on all fraud tips and investigate those that appear to be legitimate; and
- where the investigation indicates that a potential fraud has occurred, provide sufficient evidence to justice authorities to enable them to pursue prosecution of the perpetrators.

Status

The Ministry has made limited progress in addressing this recommendation. It advised us that, as a first step, it undertook a review to identify best practices in fraud prevention and detection from other jurisdictions and from its service managers across Ontario, with recommendations being expected in fall 2011.

For cases where an investigation indicates that a potential fraud has occurred, the Ministry is in the process of negotiating a provincial protocol with the Ontario Provincial Police that, when completed, can be used as a model for service managers in developing protocols for referring potential fraud cases to their own local policing authorities.

Participation Agreements

Recommendation 7

To ensure that the Ontario Works program is effective in transitioning recipients to paid employment and self-reliance, the Ministry of Community and Social Services should monitor Consolidated Municipal Service Managers to make certain:

- that participation agreements are on file for all Ontario Works recipients and that each agreement is reviewed and updated every three months as required;
- that the reasons for deferring participation agreement requirements are adequately supported and documented on file;
- that caseworkers assess recipients' skills and experience, and document caseworker input in

determining the most appropriate activities to help recipients transition to financial independence; and

- that the Ministry review the reasonableness of service managers' allowing—often for prolonged periods of time—independent job-search activities as the primary employment assistance activity to nearly two-thirds of all recipients.

Status

The Ministry has not made significant progress to date in addressing this recommendation. It conducted compliance reviews during the first half of 2011 at all Ontario Works delivery sites to evaluate compliance with legislation, regulations, and policy directives, including participation agreement requirements. However, the results of these reviews had not been summarized or reported on at the time of our follow-up.

In addition, the Ministry had not yet addressed our recommendation to ensure that caseworkers assess the skills and experience of recipients to help determine the most appropriate activities for them, nor had it reviewed the reasonableness of letting applicants conduct independent job-search activities over prolonged periods.

Tasks

Recommendation 8

To ensure that Ontario Works benefits continue to be paid only to eligible individuals and in the correct amount, the Ministry of Community and Social Services should monitor whether Consolidated Municipal Service Managers are making reasonable efforts to address all system-identified tasks that require action or follow-up.

Status

The Ministry advised us that it undertook a cleanup exercise for outstanding tasks in its computer system whereby it removed 40% of all open tasks from the system after determining that they were redundant. With regard to new tasks being created, we were also advised that the Ministry

has simplified the programming so that tasks considered unnecessary are no longer generated automatically. However, the Ministry does not currently monitor service managers to determine that they are making reasonable efforts to address all system-identified tasks that require action or follow-up.

Ministry Monitoring of Consolidated Municipal Service Managers

Recommendation 9

To ensure that subsidy claims are reimbursed in the correct amount based on reliable information provided by the Consolidated Municipal Service Managers, the Ministry of Community and Social Services should:

- *conduct at least one subsidy claims examination per service manager annually as required and do so on a timely basis;*
- *make certain that work conducted during subsidy claims examinations is adequately completed and demonstrates whether the claim is based on complete and accurate information about payments to assistance recipients; and*
- *make certain that adequate supporting documentation is submitted by the service managers and reviewed by the Ministry prior to payment.*

Status

The Ministry no longer conducts subsidy claims examinations but is currently developing a risk-based framework to help strengthen program monitoring and compliance with legislation, regulations, and policy directives, which is expected to be rolled out in April 2012. As part of the new framework, the Ministry plans to use operational reports to monitor program delivery, which will include data related to financial expenditures and subsidy claims. These reports will also be used as inputs to the Ministry's risk assessment to determine whether intervention or corrective action is required.

To assist in making certain that adequate supporting documentation is submitted by the

service managers and reviewed by the Ministry prior to payment, the Ministry was in the process of developing two new guides—a Subsidy Claim Preparation Guide to assist service managers and a Subsidy Claims Approval and Review Guide for ministry staff. These guides were still in draft format at the time we were conducting our follow-up.

Program Administration Costs

Recommendation 10

To ensure that Ontario Works administration is funded equitably across the province, the Ministry of Community and Social Services should:

- *establish more needs-based funding of administrative costs that reflects variations in caseloads; and*
- *obtain better information about actual administrative costs being incurred.*

Status

The Ministry informed us that in April 2011 it implemented a new funding model for Ontario Works with the goal of providing a responsive and equitable approach to funding. This new approach combines Ontario Works administration and employment assistance funding into one allocation, giving service managers the flexibility to determine how best to allocate funding for all aspects of program delivery while simplifying financial reporting. Funding provided to service managers is based on an amount of \$2,016 per case.

We were advised that this new funding must be spent on eligible program delivery costs as outlined by the Ministry, such as staffing, benefits, travel, and the purchase of services for employment assistance activities. In order to help ensure that funds are spent as required, service managers must report quarterly to the Ministry on how the funds were spent, with the amounts broken down by the type of eligible expense. A portion of this funding may be recovered by the Ministry if it is spent on ineligible activities or if it does not achieve expected program outcomes.

Employment Assistance Costs

Recommendation 11

To ensure that employment services are effective in helping recipients find employment and represent value for money spent, the Ministry of Community and Social Services should:

- *assess the effectiveness of the various types of employment assistance being offered by each Consolidated Municipal Service Manager, particularly the independent job search when recipients are assigned to it for long periods of time; and*
- *make certain that all employment assistance funding is spent prudently and for the intended purpose.*

Status

The Ministry has not yet assessed the effectiveness of the various types of employment assistance offered by the service managers, including the appropriateness of independent job search.

As mentioned previously, the Ministry implemented a new funding approach for Ontario Works in April 2011 in which a portion of funding is based on employment outcomes. It combines Ontario Works administration and employment assistance funding into one allocation, giving service managers the flexibility to determine how best to allocate funding for program delivery. Service managers are now required to report detailed information on their eligible expenditures to the Ministry on a quarterly basis, as opposed to providing it only at year-end, as in the past.

Measuring the Performance of the Ontario Works Program and Consolidated Municipal Service Managers

Recommendation 12

The Ministry of Community and Social Services should build on its planned results-assessment for employment assistance funding by developing performance measures that will enable it to evaluate the

effectiveness of the administration of the much larger income assistance aspect of Ontario Works over time.

Status

The Ministry has not yet identified specific performance measures to enable it to evaluate the effectiveness of the program's income assistance component, which accounts for more than 80% of total program costs.

It has, however, developed a quarterly Operational Indicators Report for the service managers to report relevant information to support operational management and decision-making. The report provides a snapshot of the health of social assistance delivery through the use of specific indicators for workload, case management, customer service, accountability, and finance. The goals of collecting this information are to support early detection of problems or operational issues, provide context for perceived trends and anomalies, and identify areas that need more detailed monitoring.

SERVICE DELIVERY MODEL TECHNOLOGY SYSTEM

Recommendation 13

To ensure that Consolidated Municipal Service Managers can rely on systems and reports to produce proper payments, and accurately record and manage information regarding those payments, the Ministry of Community and Social Services should address the Service Delivery Model Technology system deficiencies noted in this report, including those that prevent service manager staff from having the information they need to effectively manage program expenditures.

Status

In November 2009, the government approved the Social Service Solution Modernization Project, which will replace the current system. This new application is intended to provide greater flexibility to respond to policy and program changes, support effective service delivery, and enhance audit and controllership capability. The total cost of the new system is estimated to be \$165 million, plus

maintenance costs of \$37 million up to the implementation date.

According to the Ministry, the project was on track at the time of our follow-up and will be implemented in two phases:

- The first phase is an on-line application for social assistance that was implemented province-wide, excluding the City of Toronto and First Nations communities, in May 2011. The Ministry informed us that the City of Toronto would continue to use its own on-line application until October 2011, at which time it would adopt the provincial system.
- The second phase is the replacement of the current system, which will be implemented in spring 2013.