

# Family Responsibility Office

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The Family Responsibility Office (the Office), formerly the Family Support Plan, is responsible for enforcing support orders. A support order is an order issued by the court or an agreement between two parties for the payment of money toward the support or maintenance of a child and/or spouse. The Office's responsibility includes collecting and disbursing support payments. All Ontario court orders made since July 1987 are automatically filed with the Office. In the cases of separation agreements and pre-July 1987 court orders, recipients of support payments may elect to file voluntarily with the Office.

An employer or income source such as a pension fund is required to deduct support payments from a support payor's income and submit these payments to the Office. The maximum amount that an income source can deduct is 50% of the payor's net income from that source. If there is no income source, or if the amount deducted is not sufficient or the payor is self-employed, then payments are to be made directly by the payor to the Office.

In August 1996, the then Family Support Plan began closing down its eight regional offices and consolidating to one central location, which opened in December 1996. This resulted in a reduction of staff from 340 to 200 and increased the backlog to more than 90,000 transactions. These transactions, some three to four years old, included changes to personal and financial information and unanswered correspondence. The large backlog of transactions was substantially cleared up by November 1997 with the help of temporary staff. By the end of 1998, staff levels were restored to those prior to the reduction.

In the fall of 1996, the Ontario Government began making major changes to family support legislation by introducing Bill 82, *The Family Responsibility and Support Arrears Enforcement Act*. The legislation was proclaimed in three phases in May and September 1997 and June 1998. The Act changed the name of the Family Support Plan to the Family Responsibility Office, made possible voluntary opting out of the program by consenting parties, widened the definition of "income" to include commissions and lump sum payments, and provided for additional tools to more effectively enforce support orders.

For the 1998/99 fiscal year, the Family Responsibility Office had 340 staff and incurred expenditures of approximately \$28.2 million, 69% of which related to salaries, wages and benefits. Over \$500 million was collected and disbursed during the year, compared to \$300 million in the 1993/94 fiscal year when we last audited this program. As of March 31, 1999, the Office had over 170,000 registered cases (126,000 cases at March 31, 1994). At that time, approximately 128,000 of these active cases were in arrears (96,000 cases at March 31, 1994). The arrears totalled \$1.2 billion (\$700 million at March 31, 1994).

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# AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to assess whether the Family Responsibility Office had adequate systems and procedures in place:

- to enforce support orders and to ensure that services are delivered with due regard for economy and efficiency;
- to measure and report on the program's effectiveness in enforcing support orders; and
- to ensure proper accounting controls over the receipt and disbursement of support payments.

Our audit included a review of the Family Responsibility Office's administrative policies and procedures, interviews and surveys of enforcement officers, a review of case files and analysis of pertinent information and statistics. We met with representatives from client groups and private collection agencies engaged by the Office and obtained information from five other provinces with similar programs. Prior to the commencement of our audit, we identified the criteria that would be used to address our audit objectives. These were reviewed and accepted by the senior management of the Ministry.

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.

We did not rely on the Ministry's Audit Services Branch to reduce the extent of our audit work because the Branch had not issued any recent report on the Family Responsibility Office. Our fieldwork was substantially completed in March 1999.

## OVERALL AUDIT CONCLUSIONS

The stated mission of the Family Responsibility Office is to strive to ensure justice for children and spouses by aggressively enforcing support obligations. We noted that when payors went into arrears, the Office did not have a satisfactory system of initiating contact and taking the appropriate enforcement action. Where enforcement action was taken, we found:

- gaps of often more than six months between actions; and
- frequent failure to pursue aggressive action when previous attempts were unsuccessful in obtaining support payments.

In its response, the Family Responsibility Office indicated that a number of initiatives were under way in terms of monitoring cases and pursuing enforcement actions in a more timely manner, which the Office expects to lead to a significant improvement in the overall compliance rate over the next two years.

The Office's policy of issue management, under which the responsibility of enforcement officers was limited to the issues on which they worked, resulted in inefficiencies in case management. We noted many examples where more than three enforcement officers had

worked on the same case; in one instance, eleven different officers were involved in one case over a span of two years.

The Office had spent over \$2.3 million on a computer services consulting contract relating to the installation of a front-end interface to the existing computer system. However, these technology enhancements did not address our 1994 audit findings relating to the computer system performance problems. According to the enforcement officers surveyed during this audit, the computer system was slow and often became unavailable.

In addition, with respect to the acquisition of the computer consulting services contract, we found that the Office had not complied with significant aspects of the Management Board of Cabinet Directive on Consulting Services and could not demonstrate that the project was managed with due regard for economy.

We concluded that although systems and procedures were in place, additional performance indicators could be used to better measure and report on the Office's success in increasing compliance with support obligations and improving service to the public.

We also concluded that the Family Responsibility Office generally had adequate systems and procedures in place to ensure proper accounting controls over the receipt and disbursement of support payments.

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# DETAILED AUDIT OBSERVATIONS

## ENFORCING SUPPORT ORDERS

As at November 30, 1998, approximately 128,000 (75%) of the active cases registered with the Family Responsibility Office were in arrears. The arrears totalled \$1.2 billion and two thirds of the cases in arrears had been outstanding for more than one year. According to legislation, all payments made by payors are to be applied against the most recent amount due. A further breakdown of the arrears is shown in the following table.

**Cases and Arrears at November 30, 1998**

Amount in Arrears (\$)	Number of Cases	% of Total Cases	Arrears (\$ Million)	% of Total Arrears
Less than 5,000	75,258	59.0	99.6	8.3
Between 5,000 and 9,999	17,479	13.7	126.3	10.5
Between 10,000 and 24,999	21,689	17.0	346.1	28.7
Between 25,000 and 49,999	9,502	7.4	327.5	27.1
Between 50,000 and 99,999	2,981	2.3	198.3	16.4
100,000 and Greater	719	0.6	109.2	9.0
<b>Total</b>	<b>127,628</b>	<b>100.0</b>	<b>1,207.0</b>	<b>100.0</b>

*Source: Office of the Provincial Auditor using Family Responsibility Office data*

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The Family Responsibility Office has available both passive and aggressive enforcement actions to pursue support orders in arrears. Passive enforcement actions include:

- permitting the payor to enter into an agreement to pay off the arrears according to a voluntary arrears payment schedule, which reflects the payor's ability to pay;
- obtaining a federal garnishment which can seize up to 100% of a payor's income tax refund and up to 50% of employment insurance benefits;
- reporting the payor to credit bureaus; and
- obtaining a writ of seizure and sale to secure any proceeds in the event of a disposal of assets by the payor.

Aggressive enforcement actions, many of which were introduced through new legislation in 1997 and 1998, include:

- suspending the payor's driver's licence, passport or other federal licences;
- garnisheeing the payor's bank account and up to 50% of his or her bank account with a third party;
- garnisheeing lump-sum payments and lottery winnings payable to the payor;
- bringing the payor to a default hearing; and
- obtaining a court order against a third party helping the payor avoid enforcement through sheltering assets.

The criteria and timing for taking different enforcement actions are generally outlined in the Family Responsibility Office's policies and procedures manual. For example, a driver's licence should be suspended when arrears are greater than three months or over \$3,000.

## **ENFORCEMENT ACTIONS**

Overdue accounts are more likely to be collected if effort to collect is made as soon as the accounts become overdue and if the creditor is persistent in communicating and working with the debtor.

When a support order goes into arrears, the Family Responsibility Office takes action to report the payor's name to credit bureaus and request garnishment of his or her lottery winnings, if any. However, we found that any other enforcement actions only took place as a result of complaints made by recipients or persons acting on their behalf. The Office did not have a satisfactory process in place to initiate contact and request payment from payors in arrears. Two of the provinces we contacted indicated that generally a default letter would be sent to the payor within 15 days of an account going into arrears.

Further, we noted that even when enforcement action was taken, there were often gaps of more than six months between actions. In addition, more aggressive enforcement alternatives, such as driver's licence or passport suspension, bank account garnishment or a default hearing, were seldom pursued.

In July 1998 the Family Responsibility Office initiated steps to increase its collection efforts. A project team of approximately 20 enforcement officers was assigned the responsibility of following up on certain cases that had received no payments. This project covered about 40,000

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cases or one third of the total number of cases in arrears. For example, it excluded cases in arrears that were made up of those payors who had made partial or occasional payments.

Although the Family Responsibility Office had initiated the project mentioned above, we found that, as at the end of February 1999, only approximately 16,000 of the 40,000 cases targeted for enforcement actions had been followed up by the Office. In many cases, it still took more than two months to initiate contact with the payor. In addition, as in most other cases, more aggressive enforcement actions were seldom taken when the payor did not pay as requested.

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### **Recommendation**

**To help ensure recipients are getting the support payments to which they are entitled, the Ministry should improve its procedures for enforcing support orders. Specifically, it should:**

- **initiate contact with payors as soon as payments are in arrears; and**
- **take more timely and aggressive enforcement actions.**

### **Ministry Response**

***The Family Responsibility Office has a strategy that should lead to a significant improvement in the overall compliance rate over the next couple of years. In addition to the initiatives that are underway, this strategy has a number of other components including:***

- ***calling payors who are chronically in arrears;***
- ***targeting specific cases for more aggressive enforcement, based upon credit bureau rating of payors;***
- ***following up on driver's licence suspension cases with default hearings if the case remains in default; and***
- ***educating the public about the importance of child support.***

***The overriding principle is that cases will be targeted according to their characteristics in order to maximize the effectiveness of actions taken.***

***The Office has now instituted an enhanced 30-day follow-up procedure for all cases where enforcement actions have been taken to ensure that dollars are starting to flow. If the enforcement has been unsuccessful, staff are to take more aggressive enforcement actions. Staff are to follow the case monthly until all the arrears are paid up.***

***The implementation of this enforcement strategy is leading the program to taking more timely and aggressive enforcement actions proactively. The Office expects that it will take two years to fully realize the impact of its more aggressive enforcement activity.***

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## INTEREST

Under *The Family Responsibility and Support Arrears Enforcement Act*, the Director of the Family Responsibility Office is responsible for enforcing support orders which are defined to be payments of money as support or maintenance and includes provisions for a number of types of payments, including interest.

In our 1994 Audit Report, we noted that the Family Responsibility Office did not record or calculate the interest on arrears for those cases where the court orders stipulated that interest was applicable, unless the recipients themselves requested the interest and provided the calculation to the Office. At that time, we recommended that the Office investigate alternative methods for ensuring that all recipients receive the interest on arrears to which they are entitled.

In our 1996 follow-up report, the Ministry indicated that addressing this issue would not be cost effective since the number of cases in which interest was recoverable might not be significant.

We noted from a sample of cases that approximately 60% of the cases registered within the past two years had a specified interest rate stated in the court order for amounts in arrears, compared to only 18% of the cases prior to that time. The Family Responsibility Office generally did not calculate interest on the amounts in arrears. We estimated that, as of November 30, 1998, the amount of interest not charged on defaulted amounts for cases registered within the last two years alone was \$400,000. This amount represented interest on only 2% of the total outstanding arrears balance. Therefore, in total, interest on arrears is likely to be more significant.

Management had indicated to us that the Office advises recipients when they first register with the program that it is their responsibility to calculate interest on arrears and provide their calculations to the Office. However, we noted that under the Act, it is the Family Responsibility Office's responsibility to enforce support orders. Also, due to the complexity of some support orders, we questioned whether it is practicable to expect recipients to make the interest calculations.

### **Recommendation**

**To help ensure compliance with support orders and to encourage prompt payment from payors, the Ministry should compute and charge interest on arrears for those cases where the court orders stipulate that interest is applicable.**

### ***Ministry Response***

**The Family Responsibility and Support Arrears Enforcement Act stipulates a number of instances where the Director may refuse to enforce an order, including situations where enforcement of the order is "unreasonable or impractical." Presently, the Family Responsibility Office's computer system is unable to automatically accrue and calculate interest owing on support arrears. The Office lives up to its legal obligations by having the recipient (where they choose to do so) calculate the interest owing, which can be attached to a sworn statement of arrears.**

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*The Office decided for business reasons that it was not efficient or economical for its staff to calculate the interest. The higher priority for the Office is enforcement. Thus, the responsibility for calculating the interest rests with the recipients who have the information concerning when payments were due, the dates payments were made, and any resulting interest accrued.*

*The Office will be revising its brochure to clarify that recipients should file the Statement of Arrears for interest owing on an annual basis.*

*Ontario is an active participant in the federal/provincial/territorial forum which is engaged in ongoing discussions concerning administrative options for improving and streamlining the process. The matter of interest, and other special provisions in court orders, will be referred to that forum.*

### USE OF PRIVATE COLLECTION AGENCIES

In July 1998, as a pilot project, the Family Responsibility Office signed one-year contracts with three private collection agencies to follow up on those cases that had been in arrears for over three years without any payment from the delinquent payor. Cases were transferred to private collection agencies commencing October 1998.

As of March 31, 1999, the Office had transferred 19,000 cases with arrears totalling approximately \$394 million to the private collection agencies. The fees charged by the collection agencies were added to the balances owed by the payors. The total amount collected through this initiative between October 1998 and March 1999 was over \$1 million.

At the end of the one-year pilot project, the Family Responsibility Office plans to review the effectiveness of using private collection agencies. We will follow up on this initiative during our next audit of the Office.

### ACCOUNT INFORMATION

We noted that the Family Responsibility Office did not have a system in place to periodically provide payors and recipients with details about their accounts, including personal information, amounts paid and received and the account balance. The Office's practice was to obtain and provide such information only at the request of a payor or recipient. According to the Office, it would cost approximately \$170,000 per mailing to provide all payors and recipients with an account statement.

Rather than relying on payors and recipients to provide updated information, a more formal system of communicating with these clients, such as a periodic account statement, would help the Office verify that its records were current and correct. This in turn would help to reduce unnecessary enforcement work and the number of telephone calls from concerned clients.

For example, as part of the private collection agencies' pilot project in 1998, the Office requested written permission from recipients to allow the agencies to contact payors for collection purposes. Subsequently, some of these recipients advised the Office that the accounts were in fact not in arrears as they had been receiving payments directly from the payors. As a

result of this communication with the recipients, the balances for approximately 700 accounts were reduced by a total of \$16 million.

### Recommendation

To ensure accurate, up-to-date records are kept on payors' and recipients' accounts, the Ministry should establish a process to periodically verify with payors and recipients important information pertaining to their accounts.

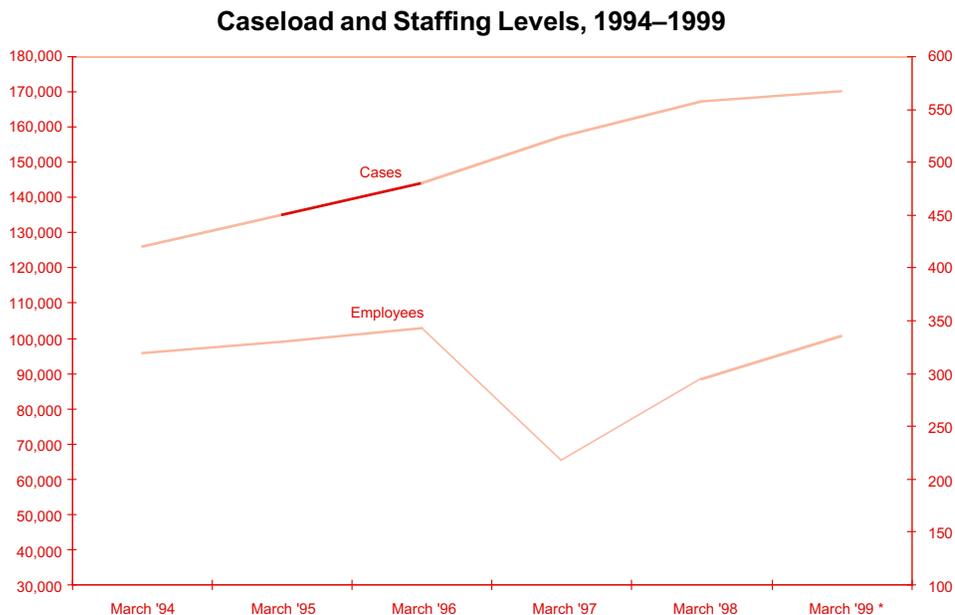
### Ministry Response

*It is the clients' responsibility to keep the Family Responsibility Office informed of all current information. The Office uses the telephone automated information system as the mechanism for providing payors and recipients with payment information.*

*As part of the Office's initiatives to pursue enforcement actions in a more timely manner and to better educate the clients, the Office will be proactively enforcing against payors in arrears, thereby ensuring that payors provide the Office with up-to-date information. This will allow the Office to maintain more current and accurate information.*

## CASELOAD

The following chart illustrates the changes in the Family Responsibility Office's caseload and staffing levels for the five years ending March 31, 1999.



\* The caseload at March 31, 1999 includes 19,000 cases that were transferred to private collection agencies commencing October 1998.

Source: Office of Provincial Auditor using Family Responsibility Office data

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As shown in the chart, the caseload has increased in five years from 126,000 cases to over 170,000 cases (35%) while the staffing level, after declining in 1997, has remained at the 1994 level. While additional enforcement officers may be needed to handle the increase in caseload, our audit identified areas where opportunities existed to improve officer productivity through managing cases more efficiently, using management information to monitor performance, and addressing operational issues related to the computer system.

## CASE MANAGEMENT

At the time of our audit, there were about 120 full-time enforcement officers (client service associates) and 80 contract or temporary enforcement officers (client service clerks) assigned to enforcing support orders. Their responsibilities included responding to telephone inquiries and taking passive enforcement action. Client service associates were also responsible for carrying out aggressive enforcement action.

The Office has a policy of issue management. As a result of an inquiry or information received, client service associates assume temporary ownership of a case which requires action or follow up. Once the action is completed, the officer generally releases ownership and no longer has responsibility for the case. Client service clerks also perform these duties but they do not have ownership of any cases.

According to the Office, under issue management, enforcement officers are able to respond to client inquiries in a more timely manner. However, we noted that in general their responsibility was limited to the issues on which they worked. They were not responsible for monitoring the case as a whole to ensure payments were made on time and taking appropriate enforcement action, where necessary. As discussed under the section on Enforcement Actions, we found gaps of often more than six months between enforcement actions.

Under issue management, several enforcement officers could be working on the same case. It is inefficient if too many officers are involved and all of them have to be familiar with the same case. We noted many examples where more than three people had worked on the same case; in one case, eleven different officers were involved over a span of two years.

The five other provinces we contacted all adopted a case management approach where responsibility for monitoring support payments and taking the appropriate enforcement action on each case was specifically assigned. This allowed for greater accountability of the enforcement officer's action on a case compared to the issue management approach. Almost all the enforcement officers we interviewed at the Office preferred a case management system.

### Recommendation

**To be more effective in collecting support payments and to ensure better accountability and efficiency, the Ministry should review its current approach to deploying enforcement officers and take appropriate action to correct any deficiencies.**

### **Ministry Response**

***The Family Responsibility Office is moving to a new model for assigning cases which will ensure better individual staff accountability and efficiency for the program. A multi-disciplinary team approach, which will see all files assigned to one of seven teams, has been selected. Files requiring aggressive enforcement will be assigned to client service associates until the case is in full compliance.***

## **MANAGEMENT INFORMATION**

When an inquiry or information is received on a case, enforcement officers enter a message into the computer user log that details the conversation, information provided and action taken. The system then automatically assigns a date for the next required action. The Family Responsibility Office's management information system produces a report indicating cases temporarily owned by each client service associate and the corresponding date for the next required action.

We reviewed the files assigned for a sample of client service associates and noted that, on average, 35% of all cases did not have a message entered into the user log and therefore did not have a date for the next required action. Where such dates were noted in the user logs, we found that in about half the cases they were more than 30 days past due.

Managers of enforcement officers periodically receive a case ownership report which indicates the number of cases temporarily assigned to each client service associate, the date of the oldest assignment, and the average period of ownership. However, they do not have reports that summarize and provide information on:

- enforcement actions taken on a case;
- cases without a date for the next required action;
- cases with a date for the next required action that had not been acted on; and
- amounts of support payments collected that can be directly attributed to specific enforcement actions, where possible.

This information could be used to help monitor the work of staff and improve efficiency and effectiveness by focusing collection efforts on those enforcement actions that are considered most successful. It could also be used to identify training requirements for enforcement officers.

### **Recommendation**

**To ensure timely, appropriate enforcement action is taken, the Ministry should improve the quality of management information and make better use of the available information.**

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## **Ministry Response**

**Managers and staff will identify enhancements to the computer system, including additional management reports, to further support their work. The Family Responsibility Office maintains an ongoing list of such technology enhancements, and plans to implement them on a prioritized basis once work to ensure Y2K readiness is completed.**

## **COMPUTER SYSTEM**

The Family Responsibility Office's computer system, Maintenance Enforcement Computerized Accounting (MECA), is designed to record support payments and keep track of the cases registered, arrears owed and enforcement action taken. In our 1994 audit, we noted that this computer system was inadequate for supporting enforcement efforts. For example:

- users had to undergo a cumbersome process of navigating among a number of screens in order to obtain information on case activities;
- programming enhancement took considerable time because of missing or poor documentation;
- staff were not provided with a summary of the cases that had information missing, such as payors who could not be located, so that further action could be taken; and
- management was not provided with a listing of all cases with voluntary arrears payment schedules and the amount of arrears associated with these cases.

We recommended in our 1994 report that the Office improve its computer systems and ensure that the deficiencies identified are corrected. In response to our recommendation then, and again in our follow-up report in 1996, the Ministry stated that "the current computer system must be replaced."

In 1998, the Office added a front-end interface, Family Responsibility Office New Technology (FRONT), to the MECA computer system. FRONT consisted of three components: graphical user interface, desktop printing and document scanning. However, our previous audit findings relating to system performance were not addressed by the installation of these technology enhancements. The MECA functions and file structure remained substantially unchanged. At the time of our current audit, there was still no documented analysis of alternative solutions to MECA's performance problems.

We also found that, on a number of occasions, the system was either fully or partially unavailable during business hours. Enforcement officers rely heavily on the computer system to carry out their duties. Our survey of 40 enforcement officers indicated that 80% felt the computer system did not allow them to carry out their duties in an efficient and effective manner. Many indicated that the system was slow and often became unavailable. Since the Office did not regularly track system availability, our survey asked the enforcement officers for their experience of the system's downtime. The results indicated that, on average, the system was not available for more than half an hour each day and the officers indicated that they were not productive when the system was down.

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A significant deficiency that adversely affected MECA's performance was its lack of an archive function. Transaction information continues to accumulate in the system taking up additional data storage capacity. Cases that were closed years ago are kept in the same storage medium as current cases. As a result, it takes longer each day to search case information, enter data and perform overnight updates.

### **Recommendation**

**To prevent disruption of services, the Ministry should take steps to improve the performance and availability of its computer system, including:**

- **correcting the problems that have caused the system to be slow or unavailable; and**
- **developing and implementing a data archive function.**

### ***Ministry Response***

***The Family Responsibility Office will be addressing the performance problems of its computer system in three ways:***

- ***doing an architectural review of the Maintenance Enforcement Computerized Accounting system once the Y2K freeze is over;***
- ***hiring a consultant to do an availability and reliability audit of the whole system, and make recommendations; and***
- ***upgrading the document imaging software and database server in order to handle the higher volume of users.***

***In the meantime, availability tracking was instituted effective March 1, 1999.***

***Developing and implementing a data archiving function will be part of the architectural study next year.***

## **COMPUTER SYSTEM DEVELOPMENT CONTRACT**

We reviewed all consultant expenditures over \$25,000 (13 vendors totalling \$3.4 million) to assess whether the services were acquired in a competitive manner in accordance with Management Board directives and ministry policy. Overall we found that services were acquired in a competitive manner and in accordance with procedures, except for one case, which accounted for over half of the above expenditures.

In November 1996, the Family Responsibility Office requested proposals for computer consulting services to review the existing computer system, identify needs and make recommendations (Phase I) and implement technology solutions (Phase II). The Office anticipated that the vendors would only be able to quantify fixed pricing on Phase I. However, based upon the information available in the request for proposal (RFP), the Office asked that the vendors attempt to describe their initial proposed solutions and costs for Phase II, the procurement and implementation of the computer system. The Office noted in its RFP that it reserved the right to terminate the contract at the end of Phase I and re-tender for Phase II.

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The federal government, under the terms of the Development of Justice Child Support Implementation and Enforcement Fund, is providing 60% of the funding for both phases of this project.

A steering committee consisting of senior ministry representatives was established to oversee the selection of the vendor and the implementation of the project plan, and to review and approve any change requests to the project. Once the vendor was selected, representatives of the vendor also attended the committee meetings to provide updates on the project, answer questions and discuss change requests.

### **COMPETITIVE ACQUISITION PROCESS**

Six vendors submitted proposals with bids ranging from \$45,000 to \$500,000 for Phase I and \$300,000 to \$1.8 million for Phase II. Following an evaluation process which primarily focused on Phase I, the Office awarded a contract for Phase I to the vendor who had the third lowest bid at approximately \$114,000. The successful vendor also had the highest bid for Phase II at \$1.8 million.

Phase I resulted in the development of a Technology Solution Report by the vendor at the end of January 1997 which identified seven major system components for implementation. In February 1997 the vendor submitted a Project Price Summary Report to the Office quoting a price of \$2.1 million for consulting services relating to the seven system components. The Office's senior management indicated that the cost to implement all seven components was double the amount of money available to the Office in 1997/98 for technology improvements. Consequently, the Office decided to purchase the vendor's consulting services for the first three components only (the FRONT interface previously described under the section Computer System). We noted that, out of the seven system components, the Project Price Summary Report included a breakdown of the costs (for example, number and position level of consultants, hours of work and price per consultant) for the three components only.

A contract was signed with the same vendor in April 1997, without further competition, for the purchase of consulting services relating to the implementation of the first three components at a price of \$969,000.

Management Board of Cabinet's Directive on Consulting Services states that agreements that follow within the same project may be awarded to the vendor awarded the first agreement without further competition, provided that all of the following conditions are met:

- the total potential scope of work to be contracted was disclosed as part of the initial request for proposal for the first agreement;
- the terms of the first agreement had been fulfilled and the supplier's performance was satisfactory;
- the total value of all agreements to the same supplier is less than \$500,000;\*
- the total value of all follow-on agreements to the same supplier is less than double the ceiling price of the first agreement; and
- approval of the deputy head has been obtained.\*

*\* approval of both the deputy head and the responsible minister must be obtained when the total value of the agreements to the same supplier is \$500,000 or more.*

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We noted that the Office did not comply with three of the Management Board of Cabinet Directive requirements as the total value of the agreements was more than \$500,000 and the total value of the follow-on agreement to the same vendor was more than double the ceiling price of the first agreement. In addition, there was no evidence that approvals of the Deputy Attorney General and the Attorney General had been obtained, as required.

Management indicated that the reason for not requesting further competition for the three system components under Phase II was that project staff and the steering committee were satisfied the vendor had a good understanding of the program's business processes and its plan to improve service delivery was logical and feasible. They further indicated that the Office was committed to completing its restructuring and re-engineering initiative.

Management also maintained that the vendor had indeed submitted a competitive bid for Phase II at \$1.8 million. However, we noted that this bid was submitted in November 1996, before the vendor's work on reviewing the existing computer system had even started. Its Technology Solution Report with tangible deliverables for Phase II was completed in January 1997. Therefore, it would not have been possible for the vendor to provide an accurate estimate of the costs for implementing Phase II in its initial bid.

In fact, we noted that the \$1.8 million Phase II bid submitted in November 1996 included only a two-page, general description of costs that could not be tied in to the price of \$969,000 in the contract signed with the vendor in April 1997. For example, the November 1996 bid included approximately \$800,000 for the costs of computer hardware and software components. However, the contract signed in April 1997 with the vendor, which covered three of the seven system components for \$969,000, included the price for consultants only. The hardware and software components required for implementation of Phase II had to be acquired separately by the Office from other suppliers.

## **CHANGE ORDERS**

Management Board of Cabinet's Directive on Consulting Services states that, in order to determine value for money, a firm ceiling price must be tied to tangible deliverables, except under certain conditions. Additionally, in all cases in which changes to the terms and conditions for any agreement increase the ceiling price, documentation and prior approval by the deputy head or designate are required of:

- the changes and/or additions;
- the method used to arrive at the revised ceiling price; and
- the reason why the need for changes and/or additions were not foreseen prior to agreement signature.

Prior approval is required by both the deputy head and responsible minister for a change or changes to the agreement ceiling price that cause the total value of the agreement to reach or exceed \$500,000.

The Phase I contract was awarded in December 1996 and was substantially completed in January 1997. However, an amendment was made to the contract to allow the vendor to verify the requirements to ensure the detailed hardware and software specifications were correct. The amendment increased the price of the Phase I contract from approximately \$114,000 to

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\$214,000 and extended the expected date of completion to March 31, 1997. There was no documentation to specifically demonstrate how the increase in price was calculated.

During the implementation of Phase II from June 1997 until December 1998, there were ten subsequent change orders to the contract which totalled \$1.1 million and brought the total price for the three system components from \$969,000 to over \$2 million. The change request forms specified the overall increase in the contract price and the reason for the change. However, they did not provide detailed information to support the reasonableness of the price increases such as the number and position level of consultants, the charge-out rate and the duration of work.

Although the Office had already paid \$214,000 in Phase I to allow the vendor to define the project's deliverables and to verify the hardware and software requirements, we noted that the number (10) and dollar value (\$1.1 million) of change orders for Phase II were very high. As mentioned previously, the Ministry had established a senior management steering committee to manage the Phase II contract and related change orders. However, we noted that the Ministry had not complied with the following Management Board of Cabinet Directive requirements:

- There was a lack of documentation of the method used to arrive at the revised ceiling price and to specifically explain the reason why the need for each change and/or addition was not foreseen prior to signing the agreement.
- Prior approval of both the Deputy Attorney General and the Attorney General had not been obtained, even though the total value of changes to the agreement, at \$1.1 million, had exceeded the \$500,000 limit established in the Directive.

In conclusion, we found that the Office had not complied with significant aspects of the Management Board of Cabinet Directive, nor could it demonstrate that this project was managed with due regard for economy.

### **Recommendation**

**To ensure that the acquisition of consulting services is obtained at the best price, the Ministry should comply with Management Board directives, including undertaking a competitive selection process and obtaining the appropriate level of approvals for all future contracts and change orders.**

### ***Ministry Response***

***The Ministry established a special diligent process by senior management to review the business value for every change improvement during the course of the technology implementation. The Ministry believes the rigorous process had integrity and that it achieved the business objectives of improving service to families.***

***The Ministry recognizes the need to ensure mandatory policies for engaging consultants' services are followed in all cases. The Ministry has now established processes to ensure future acquisition of consulting services are in compliance with all aspects of the Management Board directives.***

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# MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

## PERFORMANCE INDICATORS

The stated mission of the Family Responsibility Office is to strive to ensure justice for children and spouses by aggressively enforcing support obligations. A number of key goals were established in relation to the mission, including increasing compliance with support obligations and improving service to the public. The Office's management information system reported a number of indicators to help assess the extent to which the goals were achieved, such as:

- average wait time on the telephone for clients on hold;
- percentage of payments collected from payors and turned over to recipients within two days;
- number of complaints received through the Ombudsman;
- compliance rate;
- number of cases and total amount in arrears; and
- statistics on amounts collected as a result of driver's licence suspensions.

The above indicators are useful for measuring the Office's success against its key goals. Another important indicator that we believe should be reported is the age of accounts in arrears. It is an indicator commonly used to measure the success of an organization's collection efforts over time.

## CALL CENTRE

After centralizing the regional offices in 1996, a call centre was created and payors and recipients throughout the province were able to obtain basic case information from an automated voice response system, including any enforcement action taken on a particular case. Clients seeking to obtain or provide more detailed information on their case were able to speak to an enforcement officer. In October 1997, the phone service hours increased by 30% with the introduction of extended hours (Monday to Thursday 8:00 a.m. to 7:00 p.m.).

The Family Responsibility Office tracked and reported in its internal monthly reports the number of calls answered daily and the average time a caller was on hold. During 1998/99, the Office responded to over 1,700 calls per day compared to 400 calls per day in the fall of 1996. The average waiting time on hold has been reduced from 30 minutes to about 9 minutes.

In August 1998, the Office implemented computer software that provided data on the number of calls receiving a busy signal, or blocked calls. This information was not reported in the Office's monthly reports due to management's concern about the reliability of the data. We conducted our own test by calling the Office every day between August and December 1998. During that period, 43% of our calls were not completed after three successive attempts due to busy signals.

In addition, the Family Responsibility Office's enforcement officers spent roughly half of their time answering over 400,000 calls from clients per year, yet the Office had never conducted a client satisfaction survey. A client satisfaction survey would be useful in assessing the extent

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to which the Office is meeting its expectations and help in planning new strategy and improvements in service delivery.

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### **Recommendation**

**To better measure its success in increasing compliance with support obligations and improving service to the public, the Family Responsibility Office should develop and report additional performance measures, including:**

- the age of accounts in arrears;
- the number of blocked calls to its call centre; and
- the results of periodic client satisfaction surveys.

### **Ministry Response**

*The Family Responsibility Office has a large number of performance indicators which assist the Office in successfully meeting its approved business plan and customer service objectives.*

*The Office is committed to customer service and, as such, extended its hours of service in the call centre by 30%. The Office recommends to its clients that they call through the non-peak times.*

*With respect to performance measures on blocked calls, the Family Responsibility Office has not been able to find a reliable product anywhere in the North American market to accurately capture this information. The Office is in the process of implementing a computer telephone integration application, which will enable it to better manage the call centre (for example, repeat callers). As service continues to improve, the issue of blocked calls will diminish.*

*One client satisfaction survey has been conducted this year to establish baseline data. It was a telephone survey conducted by managers of the Office and the results have been very encouraging. The Office is planning to conduct a second survey, possibly by mail, later this year.*

## **RECEIPT AND DISBURSEMENT OF SUPPORT PAYMENTS**

### **REGISTRATION OF CASES**

A court order or separation agreement includes key information such as the name of the payor and recipient, the amount of support payment, the payment due date, and whether the support amount includes cost-of-living adjustments. Once the Family Responsibility Office receives a court order or separation agreement, the key information is entered into the computer system. Approximately 1,400 new cases are registered with the Office each month.

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Our tests of a sample of cases registered revealed that new cases were registered on a timely basis and key information was accurately captured on the computer system.

## **PROCESSING OF SUPPORT PAYMENTS**

Under the old Family Support Plan, support payments were mailed or delivered in person to the Family Responsibility Office where they were manually processed. It often took up to one week for recipients to receive their payments. In the past two years, the Family Responsibility Office had introduced a number of electronic remittance options to improve services and speed up processing time. At the time of our audit, approximately 25% of all payments from payors were received electronically. The remaining payments were primarily processed by a bank on the Office's behalf, and the payment information was converted to electronic format and sent to the Family Responsibility Office.

On a daily basis, the Family Responsibility Office disburses to recipients the support payments received from the payors or income sources, either by issuing cheques or depositing funds directly into recipients' bank accounts. At the time of our audit, 85% of all disbursements were made through direct deposits.

Our testing revealed that accounting controls over the receipt and disbursement of support payments were generally satisfactory. The majority of support payments were processed within 48 hours of receipt.

## **VOLUNTARY WITHDRAWAL FROM THE PROGRAM**

The new *Family Responsibility and Support Arrears Enforcement Act* allows consenting parties to opt out of the Family Responsibility Office and deal directly with one another, as long as they are not prohibited from doing so under their court order.

In order to opt out of the program, both payors and recipients must place their request in writing to the Family Responsibility Office. If the recipient is receiving social assistance, the Ministry of Community and Social Services (COMSOC) must also consent to the withdrawal. Since this option became available, more than 6,000 cases have been voluntarily withdrawn. Once the parties opt out, the Office stops all enforcement action. This allows the Office to focus its efforts on cases where support payments are not being made.

Our testing revealed that the Family Responsibility Office had, as required, obtained written consent from both payors and recipients, as well as COMSOC where applicable, prior to withdrawal from the program.

## **ASSIGNED CASES**

Where a payor fails to make support payments and a recipient has to rely on social assistance, the province is entitled to recover any funds eventually collected from the payor up to the amount of the social assistance provided. COMSOC is required to send a notice informing the Family Responsibility Office that the case has been assigned to it and that any support payments received by the Office are to be retained by the province instead of sent to the recipient. According to the records maintained by the Office, at March 31, 1999, there were approximately 29,000 assigned cases and about \$347 million owing to the province. For the 1998/99 fiscal year, the Office collected about \$47 million for the province.

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In our 1994 Audit Report, we noted that there were significant delays in receiving assignment notices from COMSOC and recommended that an effective process be established to ensure that assignment notices were submitted on a timely basis.

Our current audit revealed that there continue to be significant delays in receiving assignment notices from COMSOC. It took, on average, more than three months from the date that the recipient became eligible to collect social assistance to the date that the Family Responsibility Office received the assignment notices. Once received, the Office took another month to update its database with details of the assignment. In about half of the cases we examined, the Office had received payments from payors during the delays. The payments were in turn forwarded to the recipients rather than to COMSOC.

COMSOC has access to the Family Responsibility Office's database to identify and recover the overpayments from recipients resulting from the delay. However, we estimated that over the past five years approximately \$700,000, or one third of the total overpayments, had not been recovered.

Once the assignment was noted on the Family Responsibility Office's system, all subsequent funds received from the payors were promptly forwarded to COMSOC.

### **Recommendations**

**To ensure the province receives all the funds to which it is entitled, the Ministry should work with the Ministry of Community and Social Services to ensure assignment notices are received on a timely basis.**

**The Ministry should also ensure that the Family Responsibility Office's database is updated immediately on receipt of the assignment notices from the Ministry of Community and Social Services.**

### ***Ministry Response***

***The Family Responsibility Office is working on an ongoing basis with the Ministry of Community and Social Services regarding the management of assigned cases. The Office has now reduced its turnaround time on assignment notices from one month to one week.***