

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.