Ministry of Colleges and Universities

Ontario Student Assistance Program

Follow-Up on VFM Section 3.10, *2018 Annual Report*

RECOMMENDATION STATUS OVERVIEW						
		Status of Actions Recommended				
	# of Actions Recommended	**Fully Implemented**	**In the Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**	**No Longer Applicable**
Recommendation 1	2		1	1		
Recommendation 2	1	1				
Recommendation 3	1					1
Recommendation 4	1		1			
Recommendation 5	1	1				
Recommendation 6	3	1	1	1		
Recommendation 7	3	2		1		
Recommendation 8	1	1				
Recommendation 9	2	2				
Recommendation 10	2			2		
Recommendation 11	2	1		1		
Recommendation 12	4			4		
Recommendation 13	1		1			
Recommendation 14	3	2	1			
Total	**27**	**11**	**5**	**10**	**0**	**1**
%	**100**	**41**	**18**	**37**	**0**	**4**

Overall Conclusion

As of July 2020, 41% of the actions recommended in our *2018 Annual Report* had been fully implemented, and 18% of recommended actions were in the process of being implemented. Little progress had been made in implementing 37% of recommended actions, and 4% will not be implemented.

The Ministry of Colleges and Universities (Ministry) had fully implemented recommendations by reviewing and revising its entitlement policy to more accurately reflect students' needs and circumstances, through better recording of Financial Aid

Office inspection information and student investigation information, by increasing sample sizes during inspections that better represent the size of the student population receiving OSAP, and by conducting follow-up on a timely basis of inspections which fail. The Ministry has also begun providing public institutions with inspection ratings, previously done only for private institutions. Additionally, the Ministry of Finance has implemented processes for garnishing income-tax refunds sooner.

The Ministry was also in the process of implementing recommendations to track and report on graduation rates of OSAP recipients relative to all post-secondary school graduates, employment outcomes of post-secondary graduates and average student debt levels following graduation. The implementation of recommendations from the Ministry's 2018 privacy impact assessment was also in the process of being completed as was providing training for privacy breaches and protection of personal information to Ministry staff and Financial Aid Offices.

The Ministry has made little progress in analyzing complaints data on the program. It also has not made much progress in performing timely follow-up inspections with public institutions, nor has it put formal agreements in place with Financial Aid Offices at public institutions requiring compliance with Ministry policies and guidelines. The Ministry has also made little progress in working with the federal government to have the National Student Loans Service Centre initiate collection of defaulted student loans sooner. Additionally, little progress had been made to revise the cost-sharing program with private institutions for defaulted loans.

The Ministry also indicated that it would not be implementing our recommendations to establish processes to verify the number of dependents of an applicant's parents and the value of financial assets owned by a student (and spouse, if applicable).

Background

The Ontario Student Assistance Program (OSAP) provides grants and loans to students pursuing a post-secondary education, usually at a university, college or private career college. The amount of aid depends primarily on educational costs, and family income and size. OSAP is administered by the Ministry of Colleges and Universities (Ministry), formerly the Ministry of Training, Colleges and Universities. In 2019/20, the program cost $12.5 million to administer ($22.3 million in 2017/18). The decline in program cost since the time of our 2018 audit is due primarily less spent on advertising, and public relations related to the program, as well as lower rates paid to the National Student Loans Service Centre for loan administration based on a new agreement effective for the 2019/20 academic year. The total amount of financial aid provided to students in the 2019/20 school year, as of July 31, 2020 totalled $1.0 billion ($1.7 billion in the 2017/18 school year).

The Ministry had introduced major program changes to OSAP in the 2017/18 academic year starting August 1, 2017, to make post-secondary education more accessible and affordable to students. The Ministry provided a larger percentage of aid in non-repayable grants rather than repayable loans—98% in grants in the 2017/18 academic year, compared to 60% the year before. However, the number of people that received financial aid increased by about 25% while enrolments over the same period increased by only 1% for universities and 2% for colleges, indicating that the number of people accessing higher education had not increased to the same extent.

Furthermore, these changes were expected to have a positive impact on the province's finances, because the elimination of Ontario's Tuition and Education Tax Credits was expected to more than offset the increase in grants. However, the uptake of student grants had exceeded expectations. As a result, the province's March 2018 Budget projected

that OSAP might cost $2 billion annually by the 2020/21 fiscal year, a net increase of 50% from the 2016/17 fiscal year.

Among the issues we identified in our audit:

- The Ministry had tracked limited data about recipients and could not determine whether program changes had helped more new students access post-secondary education. However, 27% of mature students who had qualified for OSAP for the first time in the 2017/18 academic year had already attended post-secondary studies the previous year without receiving OSAP support.

- One major program change had expanded eligibility to mature students—defined as those who had been out of high school for at least four years. If students had been out of high school for less than four years and were financially dependent on their parents, parental income was used to determine OSAP eligibility. However, if a student had been out of school for four or more years and was still living with their parents, parental income was not used to determine OSAP eligibility. We noted that the number of mature students who had received OSAP aid had increased 33% between the 2016/17 and 2017/18 academic years, and that close to 30% of mature students had said on their applications that they were living with their parents. Although these students were entitled to OSAP support, the Ministry was unable to say whether they actually needed OSAP support.

- Prior to the program changes, grant recipients who had withdrawn from their studies did not have to repay their grants, costing OSAP $74.4 million from the 2013/14 to 2016/17 academic years. Starting August 1, 2017, recipients were required to repay the full grant amount if they had withdrawn within 30 days of starting school, or a prorated amount after 30 days. OSAP had said it planned to convert these grants to loans on a prorated basis. However, both

before and after the program change, we found instances where students had received grants after withdrawing.

- The Ministry of Finance had not begun aggressive collection activities until student loans were nine months in arrears, and might have been incurring a higher cost than needed to recover overdue loan payments. Private collection agencies that charged a 16% commission (about $20 million over the last five years) on recovered amounts were used initially. As a last resort, the Canada Revenue Agency (CRA) assisted with collection, charging only about 1% to garnish income-tax refunds. However, it would likely have cost less if the CRA was used before private collection agencies.

- Private career colleges had the highest overall student loan-default rates, followed by public colleges and public universities. The Ministry had operated a cost-sharing program with these private institutions for loans in default. However, in the two years before our audit, the cost-sharing policy required that only $417,000 be collected from private institutions on $14 million in default. Therefore, the Ministry had been assuming a higher risk and the related cost of non-collection.

Since our 2018 report, the Ministry has made changes to OSAP introduced by the previous government. Key changes included no longer providing free tuition in the form of grants to those with family income less than $50,000; decreasing the parental income threshold for provincial OSAP grants from $175,000 to $140,000 (assuming a family of four); changing the definition of an independent student from being out of high school for four or more years to six or more years; and increasing the expected contribution for students from $3,000 to $3,600. In addition, although the borrower still has six months after they graduate or leave full-time studies to start repaying their OSAP loan, during that six-month grace period the borrower is now charged interest on the Ontario

portion of their loan, whereas at the time of our audit they were not charged interest during the grace period.

We made 14 recommendations, consisting of 27 action items, to address our audit findings.

We received a commitment from the Ministry that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

Major Program Changes

Recommendation 1

To determine whether the objectives of changes to the Ontario Student Assistance Program (OSAP) are being met, we recommend that the Ministry of Training, Colleges and Universities:

- *determine whether there has been an increase in the enrolment of students in post-secondary institutions from under-represented groups;*
  Status: Little or no progress.

Details

In our 2018 audit, we reported that the Ministry tracks the number and change in OSAP recipients by student type (such as level of income), but not whether the changes to OSAP led to improved access to post-secondary education for under-represented groups. The Ministry did not know the income levels and other demographic factors of students who had not applied for OSAP. As a result, it did not know if the composition of students enrolled in school had changed and in turn, if more underrepresented people were enrolled in post-secondary education than in the past.

At the time of our follow-up, we found that the Ministry had not determined the change in post-secondary enrolment for students in under-represented groups. As was the case at the time of our 2018 audit, the Ministry does not know the income levels

and other demographic factors of students who have not applied for OSAP, and therefore, does not have all the information about all student enrolment for under-represented groups that it needs to measure this. Instead, the Ministry continues to analyze OSAP uptake by under-represented groups, rather than the total number of students from under-represented groups enrolled in post-secondary institutions. The Ministry stated it will continue to monitor the volume and proportion of each under-represented group within the OSAP recipient population. The Ministry also stated that it had considered linking student addresses with census profile data in order to estimate the proportion of students from low-income households attending college and university.

- *track and publicly report measures such as graduation and employment rates for OSAP recipients in their field of study, and average student debt levels at completion of studies.*
  Status: In the process of being implemented by 2023.

Details

Our 2018 audit found that the Ministry had established only one performance measure for OSAP—the percentage of borrowers who are not in default and properly repaying their debt two years into repayment. The Ministry did not have indicators to measure OSAP's goals of helping students get a post-secondary education and then employment in their field of study. Although the Ministry was calculating and publicly reporting graduation rates and graduate-employment rates, by institution and program, for all students in public post-secondary institutions, it was not measuring these rates for OSAP recipients separately to determine whether OSAP is meeting its overall goals.

At the time of our follow-up, we found that little progress had been made to date with measuring graduation rates of OSAP recipients.

The Ministry had determined that it will be able to report graduation outcomes for OSAP recipients through links to the Ontario Education Number currently assigned to students for their K-12 schooling.

This would allow the Ministry to track a student's educational career beyond K-12. Links to this number for post-secondary institutions were being implemented by the Ministry and were expected to be in place in 2022 and 2023 for public colleges and universities, respectively. These data links will allow the Ministry to calculate OSAP graduation rates.

For reporting employment outcomes, the Ministry had developed a question to be added to the annual college and university graduate surveys asking whether the student received OSAP. Alternatively, it is considering requiring college and university Financial Aid Offices to track whether students received OSAP. Either method will allow the Ministry to cross-reference OSAP use with job outcomes on the survey. The current surveys include the Graduate Outcomes and Satisfaction Survey (Ontario college graduates), and the Ontario University Graduate Survey. At the time of our follow-up, the Ministry was finalizing a decision on which approach to take. The Ministry indicated that if the question is added to the 2020/21 surveys, reporting would be possible by October 2022.

We found that the Ministry had made progress in calculating and reporting average repayable debt for OSAP recipients who have graduated. The Ministry had calculated the average repayable debt as of July 31, 2018, as well as the trend for each year from 2000/01 to 2017/18. The Ministry was planning to update the average repayable debt calculation to include 2018/19 and publicly report them in the fall of 2020.

Eligibility to Receive Financial Aid

Recommendation 2
The Ministry of Training, Colleges and Universities should review its Ontario Student Assistance Program entitlement policy with respect to students out of high school for more than four years to ensure that the policy more accurately reflects their actual needs and circumstances.
Status: Fully implemented.

Details
In our 2018 audit, we noted that for students who were financially dependent on their parents, parental income was only taken into consideration for students who had been out of high school for less than four years, but not for those who had been out for four years or more. We found that 27% of mature OSAP recipients who previously attended post-secondary institutions received OSAP for the first time in 2017/18 and had apparently been studying previously without provincial aid. It is unclear whether many of these students needed OSAP support to access post-secondary education.

At the time of our follow-up, we found that for the 2019/20 school year, the Ministry had changed the definition of an independent student from "a student who has been out of high school for four or more years" to "a student who has been out of high school for six years or more." This change meant that parental income would be included in the OSAP needs calculation for students who graduated from high school less than six years ago. The Ministry told us it selected this option as part of a suite of changes to OSAP to help ensure that the program would be financially sustainable. The Ministry estimated savings realized from this change alone would be about $90 million in the 2019/20 fiscal year, as 34,555 students who would have been eligible for OSAP under the previous rules were no longer eligible.

Verification of Application Information

Recommendation 3
We recommend that the Ministry of Training, Colleges and Universities establish processes to verify the number of dependents of an applicant's parents and the value of financial assets owned by a student (and spouse, if applicable).
Status: No longer applicable based on assessment work completed.

Details

During our 2018 audit, we noted that the Ministry did not verify some information affecting the financial-needs assessment, including the size of dependent students' families and the value of financial assets owned by a student (and their spouse, if applicable).

At the time of our follow-up, the Ministry informed us that it had engaged with the Canada Revenue Agency (CRA) about verifying this information. However, the CRA confirmed to the Ministry that it did not collect data on dependents and their ages, nor did it collect data on financial assets in a way that would be useful for OSAP verification.

Regarding verification of the number of dependents of an applicant's parents, at the time of our follow-up, we found that the Ministry had developed a message that appears during completion of an online application. If the applicant indicates that their parents have four or more dependent children, including themselves, a message is automatically generated asking them to confirm that is correct. The Ministry launched this within its 2020/21 OSAP application in May 2020.

Although this action does not provide independent verification of the number of dependents in a student's family, it is likely a reasonable way to approach this validation process. The Ministry could be asking parents of OSAP applicants to submit copies of their dependents' birth certificates. The Ministry's legal counsel recognized that the Ministry had the authority to collect this information to determine the applicant's entitlement to OSAP funding, as long as all OSAP applicants were required to submit this information where applicable. However, the Ministry made the decision that it would not collect the supporting documentation required of applicants.

The Ministry stated it would not be taking action to verify the value of financial assets owned by students. As any verification process would only apply to students who self-report assets on their OSAP application, requiring documentation from those who self-report would create a disincentive to report assets on the OSAP application.

Overpayments to OSAP Recipients

Recommendation 4

In order to simplify the income-verification process, we recommend that the Ministry of Training, Colleges and Universities consider the applicant's income in the previous year rather than their estimate of income to be earned during the study period.

Status: In the process of being implemented by September 2021.

Details

In our 2018 audit, we noted that the Ministry had difficulties confirming income earned by the student during their study period, because study periods were usually based on the academic year rather than the calendar year. The amount could not be confirmed with the Canada Revenue Agency (CRA), so the Ministry typically made assumptions when comparing the amount on the OSAP application to the amount reported to the CRA. Only students who would be earning more than $5,600 per term had to report this income, which in 2017/18 was only 2.7% of students.

At the time of our follow-up, the Ministry noted that it would not use the applicant's prior-year, in-study income as an estimate of income for the study period because it would likely result in an inaccurate projection of income. Instead, the Ministry stated it had plans to conduct spot audits on some OSAP students that were likely to have high study period earnings to verify the income information reported. At the time of our follow-up, the Ministry had not yet drafted procedures for these audits, and had not yet defined which students would be audited.

The Ministry indicated that it had initiated an informal internal working group in early 2020 to determine the framework and criteria of an in-study, income-verification process. The Ministry told us that the internal working group was meeting every three weeks to gather subject matter expertise on income verification processes, but did not yet have a draft framework and criteria established.

The Ministry expected to develop the approach and tools, and conduct a pilot of an in-study

income-verification process, toward full implementation of this recommendation in September 2021.

Ministry Oversight of OSAP

Recommendation 5

To increase the level of assurance provided by the inspection process, we recommend that the Ministry of Training, Colleges and Universities increase the number of student files selected during inspections of Financial Aid Offices, and consider both the risk and the student population receiving Ontario Student Assistance Program aid at the institution.
Status: Fully implemented.

Details

During our 2018 audit, we found that the Ministry examined few student files in overseeing Financial Aid Offices. In general, the Ministry reviewed the same number of files per institution regardless of the size of the institution or how many of its students received OSAP. The Ministry reviewed 10 student files from the most recently completed academic year for private institutions and 20 student files for public institutions. Furthermore, the inspection files we reviewed did not document why the Ministry had chosen those files for inspection.

Beginning in November 2018 for private institutions, and January 2019 for public institutions, the Ministry had adopted a new sampling method when selecting student files in inspections of Financial Aid Offices based on the number of students receiving OSAP at the institution. The Ministry's sample size for public institutions was 25 student files if the number of OSAP awards were less than 2,000, 40 files for 2,000 to 20,000 awards, and 60 student files if the institution had more than 20,000 students receiving OSAP. For private institutions, sample sizes were 10 student files if the number of OSAP awards were less than 250, 20 files for 250 to 500 awards, and 25 student files if the institution had more than 500 students receiving OSAP. We reviewed a sample of reports for inspections at both private and public institutions

completed in 2019 and 2020, and noted adherence to the Ministry's sample size methodology.

The Ministry chose these parameters to attempt to align with risk levels identified by the American Institute of Certified Public Accountants minimum sample sizes for a population of 250 or greater.

The Ministry stated that in order to ensure that the process is fully working, after all public institutions have been inspected once using the new sampling requirements, the Ministry would review the risks and ensure an appropriate sample size for each institution.

Recommendation 6

In order to ensure corrective action is taken by institutions on deficiencies noted in inspections of Financial Aid Offices, we recommend that the Ministry of Training, Colleges and Universities:

- *either provide all types of institutions with a compliance rating following an inspection, or clearly identify the severity of each deficiency identified;*
Status: Fully implemented.

Details

In our 2018 audit, we reported that inspection reports issued to Financial Aid Offices following inspections listed deficiencies noted during the inspections but did not indicate the severity. Only inspection reports issued to private institutions indicated whether the Financial Aid Office passed or failed. The Ministry assigned public institutions a compliance rating of high, medium or low, but was not sharing the rating with them.

At the time of our follow-up, we found that beginning in January 2019, the Ministry had started a compliance rating process for both private and public institutions which results in a rating of a high, medium, or low level of compliance as stated on the inspection report given to the institution. An institution's rating is based on the number of pass or fail ratings for inspection categories according to Ministry inspection criteria for both administrative

impact and financial impact. The Ministry's overall compliance rating is affected more heavily for deficiencies with financial implications rather than administrative ones.

- *perform timely follow-up inspections with public institutions to ensure corrective action has been taken, in the same way it does for private institutions;*
  Status: In the process of being implemented by December 2020.

Details

In our 2018 audit, we reported that the Ministry subjected private institutions to a follow-up inspection six months after an initial inspection to ensure corrective action was taken on deficiencies noted. For public institutions, the Ministry ensured corrective action was taken only for those with a low rating.

At the time of our follow-up, the Ministry's policy continued to be that only institutions with a low rating were re-inspected for noted deficiencies.

To aid in their tracking of inspections and required follow-up on those rated as low, beginning in July 2019, the Ministry set up a database for all inspections conducted. The tool includes a follow-up section to indicate if follow-up is required, the follow-up date, and when follow-up has been completed. The database also includes a section for the due date of any required corrective action plan, received date of the plan, description of the plan, and the date the plan is approved by the Ministry. The database is set up to automatically create email reminders to Ministry inspectors of required follow-up inspections and due dates for corrective action plans.

The Ministry stated that staff may follow up with institutions on an as-needed basis depending on the nature of the issue. For inspections conducted between March 2019 and March 2020, we noted one instance where a public college was rated as "medium" in its inspection, but due to the nature of the concerns, immediate follow-up was undertaken. However, for those that received a low rating

on their inspection and submitted action plans to the Ministry, follow-up inspections were not conducted. However, these initial inspections occurred between January and March 2020. As a result of institutions' shutdowns due to the COVID-19 pandemic, the Ministry had not yet had sufficient time to conduct a follow-up inspection. The Ministry expected to complete follow-up inspections of these institutions by December 2020, and to continue timely follow-up as required.

- *put agreements in place with Financial Aid Offices at public institutions regarding compliance with Ministry policies and guidelines for the administration of the Ontario Student Assistance Program.*
  Status: Little or no progress.

Details

During our 2018 audit, the Ministry informed us that after discussions with the Ontario Association of Student Financial Aid Administrators, it had ended the practice of providing compliance ratings in its inspection reports to public institutions in 2016/17 because it did not have agreements in place with the institutions requiring that a certain standard be maintained. In contrast, the Ministry had contracts in place with private institutions outlining conditions to be met in order to allow their students to qualify for OSAP.

At the time of our follow-up, the Ministry stated that it was exploring options for agreements with Financial Aid Administrators of public institutions to require them to maintain a certain standard of compliance similar to that in place for private institutions. But it had not yet done any significant work in this area. The Ministry noted that in the interim, it expected to amend user agreements with Financial Aid Offices at publicly-funded institutions, which authorize the institutions to process and manage student OSAP files on behalf the Ministry, by November 2020. The amendment will stipulate that the institutions have agreed to comply with current legislative requirements, and OSAP Policy

and Procedures. However, this interim measure will not establish a standard to be met. At the time of our follow-up, the Ministry did not know when it would have formal agreements in place with public institutions requiring a standard be maintained.

Recommendation 7

To help ensure Financial Aid Offices (Offices) take corrective action on a timely basis on deficiencies noted by a Ministry of Training, Colleges and University inspection, we recommend that the Ministry:

- *ensure inspection reports are provided to Offices within 30 days of the inspection;*
  Status: Little or no progress.

Details

In our 2018 audit, we found that for 23% of institution inspections we sampled from 2014/15 to 2016/17, the Ministry had not sent the inspection report to the institution's Financial Aid Office within 30 days as required.

At the time of our follow-up, the Ministry had created automatic email reminders in the inspection tracking database for compliance officers of upcoming inspection report deadlines. The Ministry had implemented this process beginning in July 2019. However, we reviewed a report from the Ministry's database for inspections conducted between July 2019 and March 2020, and noted that inspection reports were provided to only 58% (56 of 97 inspections) of institutions within 30 days.

- *ensure that in all cases the Offices have provided a thorough and timely response to all deficiencies identified in the inspection report;*
  Status: Fully implemented.

Details

In our 2018 audit, we reported that in 20% of inspection reports sampled, institutions were late submitting corrective action plans to the Ministry outlining plans to address deficiencies identified. In an additional 13% of cases, there was no evidence that institutions had provided any management response to the Ministry.

We reviewed a report from the Ministry's database for inspections conducted between July 2019 and March 2020 and noted that corrective action plans had been provided for all inspections conducted. However, 37% (35/94) of these required action plans had been submitted past their due date. Of those plans submitted late, the average was eight days past due.

We also reviewed a sample of corrective action plans submitted and in all cases noted that the plans addressed all deficiencies identified in their inspection reports.

- *conduct follow-up inspections of all institutions that fail an inspection on a timely basis.*
  Status Fully implemented.

Details

In our 2018 audit, we reported that for most of the private institutions in our sample that failed inspections, we found no evidence that the Ministry had conducted the required follow-up inspection within one year after the inspection.

In July 2019, the Ministry established an inspection tracking tool which includes a follow-up section to indicate if follow-up is required, the follow-up date, and when follow-up has been completed. The tracking tool is set up to automatically create reminders to the Ministry of required follow-up inspections. This allows compliance officers to keep track of when follow-up inspections are required and account for this in their schedules. We reviewed the Ministry's inspection database as of March 2020, and found that the Ministry had conducted follow-up inspections of all private institutions that had failed an inspection since our 2018 audit.

Recommendation 8

In order to ensure appropriate corrective action is taken following an inspection of Financial Aid Offices, we recommend that the Ministry of Training, Colleges

and Universities record key inspection-related data in a consistent manner. This would include the date and results of both current and previous inspections, deficiencies noted, the corrective action committed to and the date it is performed.
Status: Fully implemented.

Details

In our 2018 audit, we noted concerns with the Ministry's documentation related to the inspection process. For example, we noted there were missing inspection results, missing information related to previous inspections such as dates previous inspections occurred and follow-up required, and issues or deficiencies identified during an inspection. The Ministry also did not record or track required follow-up activities such as the dates the Ministry was to provide its inspection reports to institutions, the dates institutions were to provide corrective action plans to the Ministry, or the dates follow-up inspections were to be completed.

To address these concerns, the Ministry designed and implemented a database to more completely and consistently record inspection information, as discussed in the response to **Recommendation 6**. The database was put into use in July 2019 for all inspections conducted, and information from all previously conducted inspections was uploaded into it.

The database includes information about the institution being inspected, and the date and details of the most recent inspection at each institution, including the compliance officer responsible. The database also includes the previous inspection date and results, as well as the types of deficiencies found, information related to required follow-up actions including due dates for the Ministry to provide inspection reports to institutions, follow-up inspections to be conducted, and the due date for institutions to provide corrective action plans. Further, compliance officers are able to access previous inspection information and the inspection summary through the database.

Recommendation 9

To ensure investigations of students are conducted in a consistent high-quality manner, we recommend that the Ministry of Training, Colleges and Universities:

- *include in its schedule/database of investigations the information necessary to analyze trends and patterns.*
  Status: Fully implemented.

Details

Our 2018 audit found that the Ministry's schedule of investigations did not contain basic information, such as institution type, to allow the Ministry to analyze investigations to determine which types of institutions were vulnerable to certain issues. In addition, neither the nature nor the source of the issue was described in adequate detail.

At the time of our follow-up, we found that the Ministry had upgraded its investigation schedule database to include additional data about investigations, making reporting more useful. This included the type of allegation (such as altered documents or marital status), additional case-specific information (such as completed investigation cases by primary issue, number and type of issue by institution), and the average number of days to complete each case.

The Ministry also stated that it was reviewing other case management systems, which might be more efficient and robust than what it was using.

- *create procedural guidelines and checklists for investigations and documentation standards.*
  Status: Fully implemented.

Details

Our 2018 audit also found that compliance officers responsible for conducting investigations were not provided with policies and manuals to promote consistency and standardization in procedures, processes and documentation.

In April 2020, the Ministry released an operating manual for compliance officers conducting investigations. The manual includes standard procedures and information to request for specific

types of investigations, such as investigations of marital status, sole support parents, dependents, assets and identity. The manual also includes procedures under areas such as initiating a review, information confidentiality, collection and disclosure, tracking cases, and how to complete and use the case management database. It also includes procedures and templates for requesting information from students being investigated, and customer service standards and expected turnaround times.

The manual also provides a description of how to assess the seriousness of an investigation and how to proceed, using a scorecard to be filled out by the compliance officer. The scorecard asks the compliance officer to assess the intent, degree of student cooperation, and financial impact of the misrepresentation. In highly egregious cases of misrepresentation, the scorecard requires the officer to categorize the results of the investigation.

Recommendation 10

In order to take timely corrective action on a system-wide basis as appropriate, we recommend that the Ministry of Training, Colleges and Universities:

- *track and maintain a complaints database on the Ontario Student Assistance Program;*
  Status: Little or no progress.

Details

During our 2018 audit, we found that the Ministry was neither tracking or trending complaints about OSAP, nor was it keeping lists of students who called or wrote to voice concerns. Therefore, systemic issues raised by students could not be identified or tracked.

The Ministry had lists of complaints from various sources, including the program's call centre, the Deputy Minister's office, MPP offices and the Ombudsman. Information captured on each of the tracking spreadsheets from the different complaint recipients varied. For example, one complaint spreadsheet did not note the reason for the complaint. Beginning in January 2020, the Ministry

began to consolidate complaints into a single document. However, the Ministry did not categorize the complaints to easily identify systemic or emerging issues.

- *analyze the data on a periodic basis.*
  Status: Little of no progress.

Details

In April 2020, for the first time, the Ministry began combining complaint information received from various sources described in the prior recommended action, into a single spreadsheet. We reviewed the document prepared for the period January to March 2020 and noted that it attempted to identify common issues only for complaints received by MPP offices, the Ombudsman and the Deputy Minister's Office. The complaints received by the Ministry through email or their call centre were not identified on this spreadsheet by type or frequency, even though the call centre logs this information. In fact, the only comments noted for complaints to the call centre, referred to the percentage of calls which were not actually complaints. Emailed complaints to Ministry staff were not logged, and therefore could not be combined with complaints from other sources and analyzed.

Loan Repayment and Default

Recommendation 11

To improve collection of defaulted loans of the Ontario Student Assistance Program in the most cost-effective manner, we recommend:

- *the Ministry of Training, Colleges and Universities work with the federal government, which contracts with the National Student Loans Service Centre, to initiate collection efforts on student loans sooner after they go into default;*
  Status: Little or no progress.

Details

Our 2018 audit found that student loans were considered in arrears after 90 days, but more effective

collection efforts generally did not begin until loans were nine months in arrears. Soft collection efforts, such as sending out notices of arrears and making phone calls, were performed by the federal National Student Loans Services on loans that were overdue between 90 to 270 days. After 270 days, overdue loans were sent to the Ministry of Finance which would first engage private collection agencies for about a year, and then garnish income tax-refunds through the Canada Revenue Agency.

At the time of our follow-up, we found that the Ministry had not taken any significant steps to initiate collections on defaulted student loans sooner through the National Student Loans Service Centre. In March 2020, the Ministry met with representatives of the Canada Student Loan Program to discuss the collection process at the National Students Loans Service Centre, including moving up the timeline for collections. The Ministry informed us that changes would be dependent on the Loan Centre's ability to adjust their existing timelines and whether there is interest on the federal side for such an initiative. The Ministry further stated that changing the process for Ontario borrowers only would result in loss of efficiency and other benefits of the integration the Loan Centre has with the federal government and other participating provinces. Implementing a different process for Ontario borrowers would require extensive efforts at the loan centre at a significant cost to the province.

The Canada Student Loan Program recently underwent an audit by the Office of the Auditor General of Canada, but the report had not been released at the time of our follow-up. The Ministry noted that the Canada Student Loan Program had confirmed its ongoing work with the loan centre on a transformation project that may impact the collection process. However, the federal program did not share details with the Ministry. The recommendations and changes based on the federal audit, as well as the planned transformation, would have an impact on the options available for earlier collection.

- *the Ontario Ministry of Finance renegotiate its contract with the Canada Revenue Agency to enable garnishing of income-tax refunds sooner than at present.*
Status: Fully implemented.

Details

In our 2018 audit, we reported that the use of private collection agencies and garnishing income-tax refunds through the Canada Revenue Agency (CRA) were equally effective ways of recovering overdue student loans. However, the CRA was more cost effective but was used only after the costlier process failed. At the time of our audit, collection agencies charged a 16% commission on recovered amounts, whereas the CRA charged 1%. At that time, the Ministry of Finance transferred uncollected loans to private collection agencies first, and began garnishing income-tax refunds through the CRA approximately one year later if the agency was unable to extract any payments.

At the time of our audit, the Ministry of Finance informed us that its agreement with the CRA required it to first make every reasonable effort to collect the debt prior to garnishing income-tax refunds.

At the time of our follow-up, the Ministry of Finance informed us that it had engaged with the CRA and confirmed that renegotiation of the current agreement was not required to fulfil this recommendation. A new process came into effect May 1, 2019 whereby every month accounts that have not been paid for six months are referred to the CRA for income-tax garnishment. The exception are those accounts that are in bankruptcy proceedings or in the Repayment Assistance Plan. We reviewed the Ministry of Finance database for accounts that have entered the income tax garnishment program since May 2019, and noted that 12,918 accounts were entered. Our analysis showed that 62% of the accounts entered into the program had been in default for 190 days or less.

At the time of our follow-up, the student loan garnishment program had been paused as of March 30, 2020 due to the COVID-19 pandemic, and no enrollments were initiated after this date.

Recommendation 12

To reduce default rates on Ontario Student Assistance Program (OSAP) loans for students at private career colleges, and to recover a greater proportion of defaulted loans, we recommend that the Ministry of Training, Colleges and Universities:

- *revise the cost-sharing program to ensure institutions cover a greater proportion of any defaults;*
- *recover cost-sharing amounts from institutions sooner—within one year, for example, rather than six;*
- *follow up with those institutions that have high default rates in two or more consecutive academic years; and*
- *measure performance standards set for private institutions and take appropriate action regarding their eligibility for OSAP when the standards are not met.*
  Status: Little or no progress for all actions.

Details

In our 2018 audit, we reported that under cost-sharing arrangements, post-secondary institutions were only required to cover or share the costs of 3% of the total amount of defaulted loans for 2011 and 2012. The Ministry absorbed the remaining 97% of the loss.

Further, during our 2018 audit, we noted that there was a significant delay between when loans went into default and post-secondary institutions had to pay to cover losses under the cost-sharing agreement. For example, institutions did not have to make payments for student loans that defaulted in 2013/14 until 2017.

Our 2018 audit also found that six post-secondary institutions had default rates greater than 20% for six consecutive years.

At the time of our 2018 audit, the Ministry was measuring only one of the two performance measures required for private institutions for their students to remain eligible for OSAP. The Ministry was measuring student loan default rates by private institution, but not by graduation and employment rates for graduates of programs approved for OSAP.

During our follow-up, we found that for all four actions in **Recommendation 12**, the Ministry had not yet undertaken any activities. The Ministry stated that it would start an in-depth policy review and sector consultation in the summer of 2020.

OSAP System Access Controls

Recommendation 13

To improve safeguarding of personal information in the Ontario Student Assistance Program system, we recommend the Ministry of Training, Colleges and Universities ensure that action items from the last privacy impact assessment be addressed and documented, and that it promptly evaluate the benefits of doing such assessments yearly.
Status: In the process of being implemented by fall 2020.

Details

In our 2018 audit, we noted that the Ministry performed a privacy-impact assessment in 2016/17 to identify the potential risks to privacy, and for loss or theft of personal student information collected and maintained in the OSAP system. Although findings and action items were outlined in the assessment, the Ministry was unable to provide any formal documented evidence to demonstrate that issues had been addressed. Industry standards suggest these assessments should be performed on a scheduled basis. However, the Ministry informed us that it would not perform a new privacy-impact assessment following the yearly system update for the 2018/19 OSAP application year.

At the time of our follow-up, the Ministry had addressed and documented all but one of the issues from its last privacy impact assessment, completed in February 2017, and reviewed as part of our 2018 audit. The issue that remained related to maintaining an approved records retention schedule. The Ministry expected to receive approval from the Archivist of Ontario by fall 2020. Although the Ministry did not complete a privacy impact assessment in 2018/19 or 2019/20, it implemented a

new process for annual privacy impact assessments starting with the 2020/21 application year. These assessments will be based on changes made to the OSAP application from 2018/19 through 2020/21.

The Ministry expected to have all previous issues identified in its 2016/17 privacy-impact assessment, as well as the assessment for the years 2018/19 through 2020/21 completed by fall 2020, and that it would continue its assessment annually.

Recommendation 14

To mitigate the risk of unauthorized users gaining access to the Ontario Student Assistance Program system and potentially processing unauthorized or fraudulent transactions, we recommend that the Ministry of Training, Colleges, and Universities (Ministry):

- *perform user-access reviews for both Ministry and Financial Aid Office users to determine whether they have the correct level of access;*
  Status: Fully implemented.

Details

Our 2018 audit found that the Ministry did not have a formal process in place to review who is authorized to access the OSAP information system, or the level of authorization of each user.

At the time of our follow-up, we found that the Ministry had increased the frequency of access reviews to be conducted semi-annually, in the Spring and Fall each year. These reviews would include confirming access levels for both external users at Financial Aid Offices and internal users at the Ministry. Since the Ministry implemented these processes in October 2018, access reviews have been conducted in fall 2018, spring 2019, and fall 2019 for external users, and in spring 2019 (although this review did not confirm access level) and fall 2019 for internal Ministry staff.

The Ministry also built automatic requirements into its system for users to reset their passwords every 90 days, and an automatic suspension of user accounts after 45 consecutive days of inactivity.

These changes took effect and were communicated to users in March 2019.

- *revoke access immediately for terminated employees of both the Ministry and Financial Aid Offices;*
  Status: Fully implemented.

Details

In our 2018 audit, we found that the Ministry lacked a formal process to revoke system access for employees of Financial Aid Offices at educational institutions. We noted in 40% of the terminated employee files we reviewed that the Ministry specified only that system access had to be removed, but had taken no steps to actually revoke access until we advised it of our findings.

At the time of our follow-up, the Ministry informed us that access is revoked when the Ministry is notified. Financial Aid Offices are required to notify the Ministry in writing when someone quits, is terminated, or should no longer have access for whatever reason. Failing this, the Ministry is notified through its semi-annual access review process. We reviewed the results of the three semi-annual access reviews completed since our 2018 audit and noted that several individuals had been flagged to be deleted from system access. We reviewed system reports for a sample of individuals showing that they had been deleted or had their access suspended from the system. Our sample included both individuals flagged during the semi-annual review process in fall 2019 and through correspondence with financial aid offices and internal Ministry departments. In all cases, the Ministry had suspended or revoked user access as appropriate on the same day notification was received, with the exception of one case in which user access was revoked the following day.

To remind Financial Aid Offices of this process when there is a change in staff, the Ministry developed a checklist for external users to follow. The checklist and the form to be completed by Financial Aid Offices are available on the OSAP portal.

- *provide training to Ministry staff and Financial Aid Offices regarding privacy breaches and protection of personal information.*
  Status: In the process of being implemented by November 2020.

Details

Our 2018 audit found that staff at the Ministry and Financial Aid Offices received no formal training on privacy breaches and protection of personal information. Rather, training slides were posted on a secure website and staff were notified that the slides were available. However, the training was not mandatory and the Ministry was not tracking who had read the material.

At the time of our follow-up, the Ministry informed us that it was in the process of updating its privacy breach training presentation and once it was complete, the Ministry planned to post it to the OSAP system for Ministry and Financial Aid Office staff. The Ministry stated that both its own staff and Financial Aid Office staff would be required to complete the training, and the Ministry planned to track the training to ensure that all required individuals had completed it. The Ministry anticipated launching the training and the mandatory requirements for completion by November 2020.