
MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

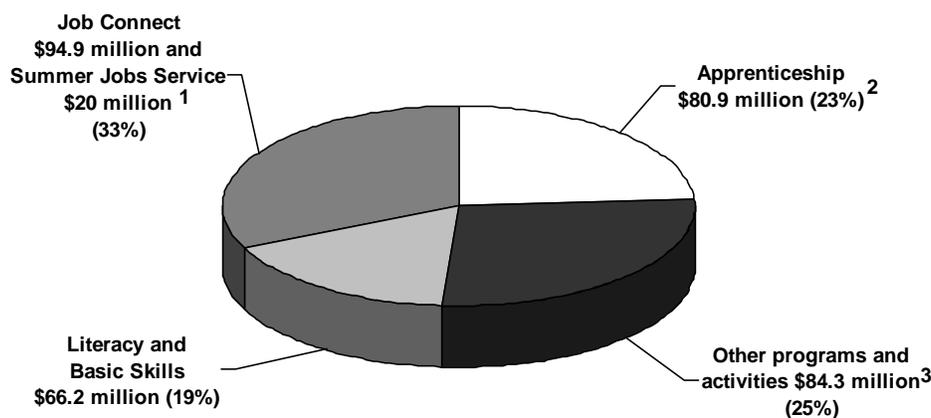
3.11–Training Division

BACKGROUND

The mandate of the Training Division (Division) of the Ministry of Training, Colleges and Universities is to set standards for employment services and adult literacy, to help employers develop a skilled workforce to stay competitive, and to provide leadership on labour market and training issues. The Division's programs and services are intended to assist both individuals and employers in increasing skill levels and to help individuals make the transition from unemployment to employment and from education and training to the labour force.

Division expenditures for the 2001/02 fiscal year totalled \$346.3 million and were distributed across four major areas, as outlined in the following illustration.

Division Expenditures by Major Program for the 2001/02 Fiscal Year



¹ For the Summer Jobs Service, the Ministry was allocated \$24.6 million, but approximately \$4.4 million was then transferred to other ministries for their own summer job programs.

² About \$26 million of this \$80.9 million was recovered from the federal government.

³ Included funding of \$48 million for TVOntario and federal funding of \$10.6 million for community colleges, which flowed through the Ministry but was administered by the federal government.

Source of data: Ministry of Training, Colleges and Universities

Colleges of Applied Arts and Technology (community colleges), school boards, and community-based, not-for-profit organizations form the network of agencies responsible for delivering three of the major transfer-payment programs: Job Connect, Summer Jobs Service, and Literacy and Basic Skills. Employers are the primary deliverers of apprenticeship training, while community colleges and private training institutions that are funded by the Ministry and the federal government deliver in-school training assistance.

AUDIT OBJECTIVES AND SCOPE

The objectives of our audit were to assess whether the Ministry had adequate systems and procedures in place to:

- measure and report on the effectiveness of the Division's major programs in meeting stated objectives;
- ensure that the Ministry and its delivery agencies are meeting labour market and participant needs in an economic and efficient matter; and
- ensure key activities and programs are delivered in accordance with legislative and policy requirements.

Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The audit focused on the following major programs: Job Connect, Summer Jobs Service, Apprenticeship, and Literacy and Basic Skills. These programs account for approximately 75% of the Division's expenditures. The scope of our audit work included reviews and analyses of relevant ministry files, administrative policies, and procedures, as well as interviews with staff at both the head office and field offices. We also visited delivery agencies for each program to examine files and other supporting documentation and to interview staff.

Prior to the commencement of the audit, we identified the audit criteria that we would use to conclude on our audit objectives. These were reviewed with and agreed to by senior management for the Division.

We conducted our audit work during the period October 2001 to April 2002, with an emphasis on activities and expenditures in the 2000/01 and the 2001/02 fiscal years.

The Ministry's Internal Audit Services Branch had recently commenced an audit of controls over the administration of apprenticeship examinations and revenue collection that it expected to complete by summer 2002. Accordingly, we reduced our audit work in these areas. The Branch had not completed any audits that allowed us to further reduce the extent of our work in the programs we examined.

OVERALL AUDIT CONCLUSIONS

The Ministry has taken steps to design systems for providing meaningful performance information about its major training programs and the delivery agencies it funds. At the time of our audit, the systems and processes necessary to ensure that services are delivered economically and efficiently and that the programs' objectives and expected outcomes were being achieved had not been completed. Successful implementation of both the initiatives currently under way and our recommendations is essential to ensure that the needed systems and processes are in place.

We also found that the Ministry did not adequately control the acquisition and management of consulting and other services acquired through agencies on the Ministry's behalf over the last several years. Our program-specific observations and conclusions are as follows.

Job Connect and Summer Jobs Service Programs

- While the Ministry had set clear expectations for the performances of its delivery agencies and linked funding to the achievement of those expectations, it did not have adequate procedures to ensure that the actual results that the agencies reported were reliable and that service-delivery requirements were being met. The Ministry had begun to collect and report participant and employer satisfaction and service co-ordination information. Once adequate controls over data reliability are established, this information will help it to determine whether agencies are meeting participant and labour market needs efficiently.
- The delivery agencies we visited for these programs were complying with program requirements, including appropriate assessments of participant needs and maintenance of required documentation.

Apprenticeship Program

- The Ministry was not monitoring the quality of apprenticeship training provided by employers and in-school training providers.
- Efforts to co-ordinate enforcement responsibilities and share information with the Ministry of Labour and other bodies responsible for workplace inspections have not been sufficient to determine the extent to which uncertified individuals are working in restricted trades. Effective enforcement of restricted trades is necessary to ensure legislated objectives for protecting public and workplace safety are met and to maintain the value of obtaining certification in restricted trades.
- Training standards, curricula, and examinations had been updated for most trades with significant apprenticeship enrolment but a few were decades old.
- The Ministry was developing an apprenticeship information system that it expected to have in place by 2004. Until then, it will not have the performance information needed

to link funding for in-school training providers to their performances in providing quality training or to report publicly on program outcomes.

Literacy and Basic Skills Program

- The Ministry had not linked funding to the actual activity levels and performance achieved by its delivery agencies. The systems and procedures that are needed to collect and report meaningful performance information were under development.
- The procedures established by the Ministry to monitor whether delivery agencies were meeting expectations were not sufficiently focused to permit effective oversight of agency performance and consistency of follow-up on corrective action.
- The delivery agencies we visited were complying with program requirements.

Acquisition and Management of Consulting and Other Services

We noted that since the 1998/99 fiscal year the Ministry has paid two third-party, not-for-profit agencies funds totalling approximately \$11 million to undertake significant projects and to purchase related consulting, information technology, and other services for the administration of the Job Connect and Literacy and Basic Skills programs. In doing so, the Ministry did not adhere to prudent purchasing practices and did not obtain the approvals from the Minister and Management Board of Cabinet that would have been required if the projects had been undertaken and the services acquired by the Ministry directly, which resulted in the following:

- services amounting to about \$8 million were acquired from private-sector suppliers with little or no competition; a further \$2 million in services were provided directly by one of the not-for-profit agencies;
- information systems project requirements were not well defined before the projects began;
- funds were advanced before they were required in some cases;
- contract monitoring was not adequate to ensure all billings were appropriate;
- there was no documentation to support a significant increase in project administration fees; and
- GST charges totalling \$600,000 were incurred because the agencies were not GST-exempt—\$235,000 of that amount was overbilled and should be recovered.

While the Ministry's Job Connect information system has allowed it to improve the administration of the program, it could not demonstrate that it obtained value for money in developing the system or in undertaking the other projects we examined. The Ministry has committed to improving and has already taken some action to strengthen its procedures for managing all existing and future projects.

DETAILED AUDIT OBSERVATIONS

JOB CONNECT AND SUMMER JOBS SERVICE PROGRAMS

Job Connect primarily assists unemployed and out-of-school youth between 16 and 24 years of age in gaining the skills and knowledge necessary to find and keep employment. It is delivered at 123 sites across Ontario by 78 agencies consisting of 22 community colleges and 56 not-for-profit organizations. The agencies provide the services outlined in the following table.

Job Connect—Services and Participants, 2000/01

Service Delivered	Number of Participants Receiving Service
Information and referral service: a walk-in, self-service community employment resource centre providing information on careers and occupations, the local labour market, training opportunities, job search strategies, and employment related workshops.	35,840
Employment planning and preparation: a service that assists participants who require more structured assistance to plan and conduct job searches (includes instruction in resumé preparation and effective interview skills).	59,635
Job development placement supports: a resource for participants receiving employment planning and preparation services but who require more intensive assistance to develop their skills and gain experience through such supports as job trials, volunteer placements, subsidized on-the-job training opportunities, and direct employment placements.	26,725
Subsidized placements: placements that vary in duration but cannot exceed a period of six months, with a yearly maximum subsidy of \$ 4,000 per participant. Both duration and subsidy levels are negotiated based on the training needs of the individual, the employer's willingness to provide the training, and the placement support services that will be provided by the delivery agency. The hourly subsidy cannot exceed the minimum wage.	22,258

Source of data: Ministry of Training, Colleges and Universities

About 97% of the almost \$95 million of program expenditures in 2001/02 were transfer payments to agencies. Of the \$91.7 million provided to these agencies, 65% was for service delivery, 30% was for training subsidies, and 5% was for special projects.

Through the Summer Jobs Service, employers can receive a \$2-per-hour training subsidy to hire students for up to 16 weeks from April to September. This program is delivered primarily by the same agencies that deliver the Job Connect program. For the 2001/02 fiscal year, about 27,000 students were expected to receive summer employment services.

Of the \$20 million provided to delivery agencies in 2001/02, about 80% was for training subsidies and the remainder was for program delivery and administration.

Measuring and Reporting on Program Effectiveness

We concluded that the Ministry has made substantial progress in ensuring that funding provided under the Job Connect program complies with the Management Board of Cabinet Directive on Transfer Payment Accountability. Specifically, the Ministry had developed clear expectations and performance measures that focused on measurable results rather than on process to assess the achievement of program objectives and was adjusting funding based on the performance of transfer-payment recipients.

The Ministry began implementation of a Continuous Improvement Performance Management System (CIPMS) for evaluating the performances of Job Connect delivery agencies on April 1, 2000. As part of this management system, the Ministry has established six core performance measures that relate to employment planning and preparation services and job development placement supports. The following table illustrates the core performance measures.

Core Measures and Service Delivery Standards, 2001/02

Dimension and Its Relative Importance	Measure	Standard for Core Measure
Customer service 30%	1 Participant satisfaction	Questionnaires completed by agency at program exit; 85% satisfaction level set as an interim target.
	2 Employer satisfaction	
Effectiveness 50%	3* Participant employed three months after exiting the program	Standard is set at 64% for paid employment based on 100% survey. On a sample basis, agencies conduct 6- and 12-month follow-ups, but those results are not counted as a core measure and no standard has been set.
	4* Participant profile	Composite indicator derived from the sum of nine factors that indicate level of need for services.
Efficiency 20%	5 Service co-ordination	Composite indicator derived from a number of external linkages at exit that include participants registered in English as a second language, literacy training, federal training, and returned to education.
	6* Intake	Actual number of participants receiving service compared to planned. Standard set at 100%.

* These three measures form part of a provincial service delivery standard that delivery agencies must meet to continue to qualify for funding. The remaining three core measures have interim targets that the Ministry intends to refine and include as part of the provincial standard once it is satisfied with the data being collected and reported. Until then, agencies are still expected to achieve their interim targets.

Source of data: Ministry of Training, Colleges and Universities

Agencies that fail to meet the provincial service delivery standard are required to develop plans for improvement within clearly defined timelines. If an agency fails to meet the targeted timelines, the Ministry may terminate funding.

The Ministry was using information reported by its delivery agencies to shift funding to those agencies that meet performance targets and demonstrate the ability to increase their intake numbers. Ministry consultants have worked closely with underperforming agencies to help them achieve improvement targets and deadlines. The Ministry has also used independent coaches to help agencies improve service delivery and results.

The CIPMS is a significant initiative that can assist the Ministry to manage the program effectively and to demonstrate that it has done so. However, given the funding consequences if the provincial service delivery standard is not met, there is a significant risk that delivery agencies will simply report the expected results rather than actual performance.

Accordingly, the Ministry needs to take steps to verify that the performance information it is collecting is reliable and that the performance targets it establishes are appropriate. In this regard we noted the following:

- The Ministry relies on agency personnel to submit performance information. Agency personnel complete participant and employer satisfaction questionnaires and conduct three-month employment follow-ups, primarily over the telephone, without third-party verification.
- The achievement targets for the core measures that make up the provincial service standard have not been updated since their introduction in 1999/2000. Since implementation of the service standard, delivery agencies reported continually improved results. As of December 2001, agencies overall exceeded the provincial standard by 11% and only 2 of 78 agencies reported that they had not met it compared to 15 in 2000/01. Agencies also reported that, on average, 70% of their participants were employed three months after exiting the program versus the provincial standard of 64%.
- As part of the CIPMS, the Ministry plans to develop and implement a benchmarking process that would allow the comparison of the program performances of Job Connect to that of similar programs in other provinces and jurisdictions. At the time of our audit, the process had not been developed.

For the Summer Jobs Service program, the only performance measure established was a comparison of actual to planned intake targets for subsidized placements. Intake information is not sufficient to assess the effectiveness of the Summer Jobs Service program or its delivery agencies. More useful performance information would include participant and employer views of the need for the program and the level of satisfaction with both the delivery agency and the program, as well as the extent of any unmet demand for placements from youth or employers.

Recommendation

To help ensure its Continuous Improvement Performance Management System (CIPMS) operates as intended to monitor and improve the overall performance of delivery agencies for the Job Connect and Summer Jobs Service programs, the Ministry should:

- establish procedures to periodically verify the reliability of the performance information reported by delivery agencies;
- complete the development of benchmarking for the Job Connect program to allow comparisons with other jurisdictions; and
- establish more meaningful measures for assessing the performances of the Summer Jobs Service delivery agencies and the effectiveness of the program overall.

Ministry Response

We agree with this recommendation. Currently, the 287 statistics reported by agencies to the Ministry are validated through cross-references in the Ministry's database system. In addition, agency follow-up is conducted where system checks show anomalous data. We are pleased this audit did not find any inconsistencies among information in the client files, the agency database, and the Ministry's database. In order to improve the process in 2002/03, the Ministry is updating and documenting site visit procedures to include a process for verifying information, with a particular focus on the recently implemented service co-ordination and customer satisfaction ratings.

The benchmarking process will be started in 2003/04, as per our CIPMS implementation work plan.

We anticipate that all performance measures and standards will be fully implemented in the 2003/04 fiscal year, and, with information from that year, we plan to benchmark the results. In the interim, in 2002/03 the Ministry's Award for Excellence and the Innovations Awards provide an opportunity to validate and examine the results of high-performing agencies to test our internal benchmarking process. In addition, because agencies are required to commit to targets that exceed their prior-year results, program performance continues to improve even though benchmarks have not yet been identified and provincial standards have not been adjusted.

The Ministry will factor in the need for more meaningful measures in the overall evaluation of the Summer Jobs Service that is underway in 2002/03.

Monitoring Compliance with Program Guidelines

The Ministry revised the Job Connect and Summer Jobs Service program guidelines in June of 2001. The new guidelines describe the objectives and policies governing the programs

and indicate the documentation and verification required for participants' files. We visited a number of delivery agencies, reviewed samples of their participant files, and concluded that they were complying with ministry guidelines. For example, we found that files were well documented and included all key information needed to determine participants' needs and the services provided. Survey questionnaires were completed, and, where applicable, claims for training subsidies were properly determined.

The program has 12 field consultants who act primarily as advisors to agencies. They review their assigned agencies' annual budgets, business plans, and performance reports. However, the annual visits that field consultants make to agencies do not check whether agency procedures and files meet ministry expectations or whether the reported performance information is accurate. To be cost effective, field consultants could use their knowledge of the agencies to assess the risk that an agency may fail to comply with requirements or may report inaccurate results. This assessment of risk would help consultants plan the frequency of visits and the extent of the review to be done at each agency.

Recommendation

To help ensure that delivery agencies for Job Connect and Summer Jobs Service programs comply with ministry guidelines and that the performance information on which funding is based is reliable, the Ministry should establish a risk-based program of periodic visits by field consultants to delivery agencies.

Ministry Response

We agree with this recommendation. Agencies below performance standards are now visited by ministry staff for an in-depth assessment of risk, of compliance with program guidelines, and to establish ministry-directed performance improvement targets. A comprehensive review process is undertaken for all sites with ministry-directed improvement targets.

In addition, other indicators, such as ongoing difficulty in data or financial reporting or customer complaints, generate agency visits/reviews. As noted, the audit field visits confirmed compliance with program guidelines and directives.

All sites will be visited at least once within the three-year life of the funding contract.

APPRENTICESHIP PROGRAM

The Apprenticeship program is governed by two acts. The *Trades Qualification and Apprenticeship Act* (1990) governs thirty-four construction sector trades, and the *Apprenticeship and Certification Act, 1998*, proclaimed January 1, 2000, governs trades in

the industrial/manufacturing, motive power, and service sectors. Each act establishes specific requirements for apprenticeship completion and the roles of the Ministry and industry. Each act also stipulates that certain trades may be practised only by individuals who are registered apprentices or who hold a certificate of qualification. Certification is optional for all other trades.

Apprenticeship is a work-based training model that combines on-the-job training (approximately 90%) with classroom training (approximately 10%). The length of an apprenticeship can range from two to five years, during which time the apprentice must typically complete at least three in-school training sessions.

Each apprentice signs a training contract with an employer that requires the employer to help the apprentice acquire both work experience and trade-specific competencies. Once a training contract is signed and filed with the Ministry, the apprentice is officially registered. Upon successful completion of the apprenticeship requirements, an individual receives a certificate of apprenticeship. For certain trades, the apprentice must also pass a trade-specific examination to obtain a certificate of qualification. Individuals not registered as apprentices are also entitled to take the trade examination if, for example, they can demonstrate that they have obtained the required work experience in another jurisdiction. As of January 2002, there were 136 trades involving about 52,000 registered apprentices. Certification is mandatory for 20 of these trades.

Program expenditures for the 2001/02 fiscal year included \$58 million paid to training delivery agencies for in-school training and for updating programs (about \$26 million of which is recovered from the federal government) and \$22.9 million for the Ministry's direct operating expenditures.

The program is administered by some 250 ministry staff, about 100 of which are training consultants located in 26 ministry field offices across the province. These training consultants register apprentices and consult with employers and training delivery agencies.

Measuring Program Effectiveness

In June 1998, the Minister of Training, Colleges and Universities announced a long-term commitment to significantly increase the number of annual apprenticeship registrations to 22,000 from the 1998/99 level of 11,000 to meet the demand for skilled workers and to support job creation. In its annual Business Plan, the Ministry reports the number of apprenticeship registrations but does not publish any other meaningful performance information about the program. Internally, it established two additional program commitments for which progress is to be tracked: increasing the number of active and new employers from 18,100 in 1999/2000 to over 23,000 in 2001/02 and increasing the proportion of apprentices who successfully complete their classroom training from 60% in 2001/02 to 75% over the long term.

While tracking progress against these commitments will help the Ministry assess the degree of success in encouraging greater acceptance of and support for apprenticeship training, it will not be sufficient to assess the program's contribution to meeting the demand for skilled workers in Ontario, a stated objective and priority for the program. Increasing the number of registered apprentices and active employers will not meet the demand for skilled workers unless apprentices complete their programs and acquire the training and skill sets needed by the labour market.

Consequently, the Ministry needs information on apprenticeship completion and employment rates in relation to labour market demand. This, combined with participant survey information, would provide a better indication of the appropriateness of the training being provided and of any areas requiring improvement. For example, each year the Province of Alberta publishes the percentage of qualified apprentices obtaining employment, the percentage of apprenticeship graduates satisfied with their work experience and technical training, and the percentage of employers satisfied with the apprenticeship training system.

In early 2002, the Ministry began developing a new information system for the Apprenticeship program; its targeted completion date is mid-2003. The Ministry expects that this new system will enable it to collect information to better manage the program and report on results. The Ministry has also begun a project to develop and implement meaningful, outcome-based performance measures that it hopes to have in place by January 1, 2004.

Recommendation

The Ministry should ensure that the information and performance management systems it is developing will, as soon as possible, allow it to begin reporting publicly on achievements with respect to apprenticeship completion and employment rates as well as the extent to which the apprenticeship program is meeting the expectations of apprentices and employers.

Ministry Response

We agree with the recommendation. The business planning and allocation process for 2002/03 includes a plan for the development of a continuous-improvement performance-management system for apprenticeship in Ontario. The Ministry is on target to implement outcome-based performance measures by January 2004 and thereafter to report publicly on achievements, including apprenticeship completion and employment rates.

Increasing Opportunities for Apprenticeships

The Ministry was in the process of implementing several strategies to expand the Apprenticeship program to provide the skilled workers needed by the labour market. A new policy on developing apprenticeship occupations that responds to the demands for skilled labour remained to be finalized at the time of our audit.

The Ministry added 29 new apprenticeship trades over the past four years although they only accounted for about 6% of total apprenticeship registrations in each of those years. In fall 2001, the Ministry identified another 14 occupations as potential apprenticeship trades, five of which had been delayed to fall 2002. A common problem in many jurisdictions is the difficulty of expanding the apprenticeship system beyond traditional trades, such as those in construction and the automotive sectors, into less traditional and faster growing occupations, such as those in business and commerce, health sciences, natural sciences, and social sciences. Many of the new trades introduced in Ontario over the past two to three years, and even trades under development, are in traditional areas of apprenticeship. However, if the Ministry is to meet its targets for the expansion of apprenticeship training, it will need to develop more apprenticeship programs in new occupations and sectors.

We will follow up on the Ministry's efforts to expand opportunities for apprenticeship in Ontario in conjunction with the follow-up of our recommendations in two years' time.

Updating Apprenticeship Standards

To maintain the quality and credibility of the Apprenticeship program, apprentices and applicants for certificates of qualification must be trained and tested using up-to-date marketplace requirements.

The Director of Apprenticeship has the statutory authority to approve apprenticeship programs, including applicable training standards, curricula, and examinations, as well as the responsibility for maintaining them. Apprenticeship training is intended to be industry designed, responsive to the needs of employers for highly skilled workers, and capable of expanding into new trades and areas of economic growth. Accordingly, under both the *Trades Qualification and Apprenticeship* and the *Apprenticeship and Certification* acts, the Minister may establish advisory committees made up equally of employers and employees for any trade or group of trades to develop and update training standards, curricula, and examinations.

We reviewed the current status of training standards, curricula, and examinations for all restricted and compulsory trades as well as for voluntary trades (those where certification is optional) that had at least 50 or more registered apprentices. We found that the training standards, curricula, and examinations for most trades with significant apprenticeship registrations had been updated within the last three years, in accordance with ministry practice for reviewing standards. However, we noted that for several trades, both restricted

and voluntary, either the training standards and/or the examinations had not been updated, as indicated in the following table.

Summary of Active Trades for Which Training Standards and Examinations Have Not Been Updated

	Year Issued	Apprentice Registrations Over Past Five Years	Applicants for Certificate of Qualification Over Past Five Years
Training standard			
Motorcycle mechanic	1991	183	96
Domestic and rural electrician	1968	159	283
Examination			
Domestic and rural electrician	1968	159	283
Alignment and brakes	1969	134	141
Transmission technician	1969	134	47
Tower crane operator	1991	71	34
Mobile crane operator-2	1994	103	419
Construction millwright *	1984	347	123
Motive power machinist *	1970	49	17

* Voluntary trades

*Source of data: Ministry of Training, Colleges and Universities
Prepared by the Office of the Provincial Auditor*

Several of these trades are restricted trades, and these trades represent about 30% of the trades with significant registrations for which the Ministry has the direct responsibility to keep the training standards and examinations up to date. Although these trades accounted for barely 2%—that is, about 1,000—of the 52,000 apprentices registered at December 31, 2001, it is our view that these are active trades that may well be more active if the training standards and examinations were up to date. While we found, as mentioned above, that the training standards and examinations for most trades with significant apprenticeship registrations had been updated within the last three years, the standards and examinations for the trades summarized in the table need to be updated as soon as possible. This would help ensure that apprentices and certificate-of-qualification applicants in these trades acquire the skills and knowledge they need and increase the value and attractiveness of these trades to those considering apprenticeship training in them.

Recommendation

To help ensure that apprenticeship graduates acquire the skills needed to meet employer needs, the Ministry should ensure that all training standards and examinations are up to date and reflect current demands of the workplace as soon as possible.

Ministry Response

The Ministry will take action to ensure that by December 2003 all training standards and examinations are updated as appropriate to meet the requirements of industry.

Monitoring Program Quality and Compliance

Because employers are responsible for 90% of apprenticeship training and in-class training providers are responsible for the remaining 10%, monitoring the quality of training provided by both parties is critical to the program's success. Closer monitoring may also increase the likelihood that apprentices will complete their programs and obtain certification. However, at the time our audit, the Ministry had not developed either a policy on monitoring workplace training or procedures to monitor the quality of in-school training.

Training consultants at the field offices we visited conducted few if any monitoring visits to employers and in-class training providers to determine compliance with the training contracts and service agreements, even though the legislation permits such inspections. A number of training consultants we interviewed stated that other priorities, such as registering new apprentices and marketing the program to new employers, had reduced their monitoring efforts. Only one district we visited had information on its monitoring of apprentices and employers.

To make efficient use of limited resources, monitoring efforts need to be based on risk. For example, the program's new information system, when completed, could be used to capture the information needed to identify specific industries or trades that are experiencing low program completion or satisfaction rates. This and other risk-based information would help training consultants focus their monitoring of apprentices and employers where it is most needed.

For in-class training providers, the new information system is expected to facilitate periodic reviews of pass rates for each in-class training provider and trade. This and other outcome-based information will assist the Ministry in monitoring the performance of training providers.

Recommendation

To better ensure the quality of apprenticeship training and compliance with training requirements, the Ministry should monitor the performance of employers and in-class training providers. Such monitoring should include:

- on-site visits by field staff to employers and training providers with identified performance problems; and
- tracking of the extent and results of monitoring visits to ensure any necessary corrective action is taken.

Ministry Response

We agree with this recommendation. Presently, field staff do some monitoring when they visit employers and training providers. The apprenticeship information system, now in development, will provide a case or portfolio management system for staff. Portfolio features include workload monitoring, bring-forward or follow-up reminders, and support material for assessment. The features are designed to enhance monitoring activities while assisting staff and management with workload management. To achieve maximum effect with these visits and in order to incorporate the information-gathering and tracking ability of the new information system, we will be developing a more comprehensive and risk-based monitoring policy and process that can be effectively implemented within existing resources.

Enforcement of Legislation on Restricted Trades

Under the *Trades Qualification and Apprenticeship* and the *Apprenticeship and Certification* acts, 20 trades in the construction, motive power, and service sectors have been designated as restricted. Only a certified tradesperson or a registered apprentice may work in these trades. Restricted trades include such occupations as automotive technician or construction electrician. To ensure consumer protection and workplace safety, it is important that individuals working in such trades are properly qualified and trained.

Both acts allow the Ministry to inspect workplaces to ensure only qualified individuals are working in restricted trades. In 1993, an Order in Council delegated enforcement of certificate requirements for 19 of these trades to the Ministry of Labour (the Ministry of Training, Colleges and Universities retained enforcement authority for hairstyling). Enforcement activities were included as part of the Ministry of Labour's normal workplace inspections.

No information-sharing protocol exists between the two ministries although there were plans to implement one in the 2001/02 fiscal year. Our discussions with ministry field staff indicated that the extent of communication and co-ordination with local Ministry of Labour field offices was generally not sufficient to ensure effective enforcement. While some field staff commented that the two ministries had participated in sweeps of selected trades

and employers, other staff had little contact with local Ministry of Labour staff to determine the extent of enforcement activities. The Ministry had not clarified its expectations for enforcement activities to be conducted by its field staff.

Also, there are other workplace inspection functions, such as those carried out by the Ministry of Transportation in the automotive sector and the Electrical Safety Authority in the construction sector. The focus of these inspections is more on consumer protection than workplace safety, which is the primary focus of inspections conducted by the Ministry of Labour. The Ministry has not established any protocols for sharing information about their activities.

Consequently, the Ministry did not know the extent to which uncertified individuals might be working in restricted trades. Currently, only anecdotal information provided by stakeholder groups and complaints to field offices provide information on this problem. Effective enforcement not only protects consumers and workers but also maintains the value of entering a restricted trade, thereby increasing the likelihood that apprentices will complete their training.

We noted that registrations in restricted trades have been increasing over the past four years, but there has not been a corresponding increase in the number of registered apprentices writing the required examinations to obtain their certificates of qualification. We also noted that, over the past three years, school enrolments for two restricted trades—automotive technician and auto body repairer—have declined by 12% and 26% respectively, despite increasing apprenticeship registrations in those trades. If there is little enforcement of apprenticeship requirements for restricted trades, apprentices may question the value of completing their programs.

In implementing its new apprenticeship information system, the Ministry needs to capture information about the extent of non-compliance in specific trades and workplaces to help focus enforcement efforts where they are most needed.

Recommendation

To help reduce the extent of uncertified individuals working in restricted trades, the Ministry should:

- **establish information-sharing protocols with the Ministry of Labour and other organizations that conduct safety inspections;**
- **train field staff on ministry expectations for enforcement across the province;**
- **use its new information system to help focus enforcement effort on industries, trades, and workplaces where the risk is greatest; and**
- **monitor the impact of enforcement activities on apprenticeship program results.**

Ministry Response

We agree with this recommendation and will be establishing an information-sharing protocol with the Ministry of Labour. There are also opportunities for ministry staff to benefit from an information-sharing protocol with the Ministry of Transportation, which enforces the restricted-certification skill-set programs for air-brake adjustment and truck-tire maintenance and may be in a position to identify mechanics operating without the required apprenticeship certification (although it has no statutory enforcement authority in this latter situation).

The Ministry will begin negotiations with the Ministry of Transportation in the fall of 2002 to enter into an appropriate information-sharing agreement. The Ministry notes that the Electrical Safety Authority (ESA) currently does not have any legal authorization to enforce compulsory certification in the electrical trades. However, the Ministry will continue its work with the ESA and the Ministry of Consumer and Business Services, which has ministerial responsibility for the ESA, to develop an appropriate role for the ESA in enforcement activities in the electrical trades.

The Ministry will review its current guidelines and practices, which will be amended as required by March 2003. All field staff will receive training regarding their responsibilities with respect to enforcement during 2003/04.

The apprenticeship information system will provide the Ministry of Labour and the Ministry of Transportation with access to information as appropriate. This will enable recording of enforcement activities by these ministries and allow them to establish the currency of tradespersons certificates. Appropriate items will be directed to ministry staff for evaluation.

The Ministry will review enforcement activities and monitor program results to determine if a linkage between enforcement activities and results can be made.

Effectively Assessing Prior Learning and Academic Readiness

As stated earlier, apprentices are generally required to complete an in-school portion of their training to attain certification. The minimum educational prerequisite for most apprenticeship training is Grade 12. To assist apprentices, the Ministry has implemented two optional learning assessment tools. One tool provides apprentices with recognition for relevant prior learning, and the second assists apprentices who may need help preparing for in-school training.

PRIOR LEARNING

Prior learning assessment is a process for identifying and recognizing what a person knows and can do. For example, an apprentice may have previously completed some or all of the required in-school components for a trade while attaining a college diploma. To recognize

prior learning and reduce unneeded in-school training, thereby accruing savings both to the Ministry and the apprentice, apprentices and non-apprentices who possess the entry requirements for a trade are eligible to write exemption tests. Where exemption tests are not offered, ministry staff can grant an exemption from in-school training if an apprentice can provide satisfactory documented proof of prior learning.

At the time of our audit, exemption tests were offered for only 20 of the 92 trades that require in-school training. Ministry field offices administer standardized exemption tests for 7 of the 20 trades. Colleges offer exemption tests for the remaining 13 trades, although many of their tests do not have standardized content or passing standards.

The Ministry did not formally monitor the use of exemption tests offered either by colleges or by field offices to ensure they were being used effectively. Specifically, the actual use, number of attempts, and pass/fail rates needed to be monitored for each field office and college so that differences among field offices and colleges can be identified and investigated and corrective action taken where necessary.

ACADEMIC READINESS

To help reduce the risk of in-school failure in the apprenticeship program and thereby minimize the financial loss to the Ministry and the apprentice and time lost to the employer, the Ministry developed the Evaluating Academic Readiness for Apprenticeship Training tool (EARAT). The tool has three components that registered or prospective apprentices may find useful—a skills inventory, skill assessment tests, and a self-study guide. The tool can be used to identify areas of academic weakness that need to be addressed prior to attempting in-school training. It also provides information that allows prospective apprentices to make better decisions about whether a specific trade will meet their career expectations and whether they have the interest and aptitude to be successful.

However, we found that the Ministry had not provided field offices with direction on the use, distribution, or administration of EARAT products. Further, the Ministry does not formally monitor field office use of EARAT products. Such monitoring would enable the Ministry to interpret trends in program completion rates and implement corrective action where necessary.

Recommendation

To better ensure that the Ministry’s learning assessment tools for the Apprenticeship program—both the assessment of prior learning and of academic readiness—are being used effectively, the Ministry should:

- **standardize and make available exemption tests for each applicable trade;**
- **develop and communicate to ministry and college staff a standard policy on the use and administration of such tools; and**
- **monitor the use and results of both tools and take corrective action where necessary.**

Ministry Response

We agree with this recommendation. All existing trades with an in-school component will have standardized, ministry-approved exemption tests by 2003/04. By the end of the 2002/03 fiscal year, exemption tests will be available in 87 of the 92 trades that currently require in-school training. Exemption tests will be developed for new apprenticeship trades as they are created.

Policies for use of both exemption tests and EARAT (Evaluating Academic Readiness for Apprenticeship Training) tools are in place. In addition, EARAT skill inventories are available on the Ministry's Intranet and all EARAT tools are available on compact disk. Ministry field staff have received training and ongoing support for the use of EARAT tools through Georgian College. The Ministry is currently reviewing the EARAT general policy to encourage more consistent and wider product use, including quarterly reporting from field offices on usage.

Exemption tests administered by the Ministry are now being tracked. Tests shown to be flawed will be revised as needed. The use of EARAT tools is voluntary and client-directed and their quality is validated by stakeholders and revised as required. The Ministry is exploring the value of EARAT to individuals who are not already apprentices.

Managing Program Funding for In-school Training

Total funding for in-school training was \$58 million in 2001/02, 90% of which was provided to colleges. The remaining 10% was provided to private training deliverers, such as unions, based on actual attendance. Colleges receive funding for full-time students based on planned attendance and for part-time students based on actual attendance. A daily per diem rate (\$59.81 in 2001/02) is used to determine each training deliverer's funding entitlement. Funding for full-time students that is based on planned activity was introduced in 1992/93 to provide stable funding levels and to acknowledge that colleges incur certain costs whether enrolment is higher or lower than planned.

We found that, since our last audit of this program in 1996, the proportion of planned seats actually filled by apprentices had increased from about 88% to 96%. This improvement is due to better forecasting of enrolment as well as increasing part-time enrolment.

As part of its annual funding agreements, the Ministry requires colleges and private training deliverers to submit audited financial statements to provide assurance to the Ministry that per diem rates paid reflect the actual cost-per-day for training an apprentice. However, we interviewed staff from several colleges who indicated that the audited financial statements did not sufficiently reflect their full delivery costs. We also noted that the audited statements of many colleges were long overdue and that ministry staff were not reviewing the ones that had been received. Thus, the value of these financial statements for determining costs per day appears limited.

Also, as the Ministry begins to introduce more outcome-based performance measures for the apprenticeship program, it must find ways to link funding to the quality and outcomes of the training provided. Outcomes to consider include in-school completion rates, apprentice and employer satisfaction, and effective use of assessment tools.

Recommendation

To help ensure that funding levels for in-school apprenticeship training are appropriate, the Ministry should:

- work with training providers to develop financial reporting that reflects the actual cost of program delivery; and
- introduce funding that is linked to the provision of training that results in positive outcomes for apprentices and employers.

Ministry Response

We agree with this recommendation. On August 1, 2002, the Ministry introduced a new funding model that involves the introduction of classroom fees for apprentices attending the in-school portion of their training. As part of the on-going evaluation, the Ministry will undertake a review of the in-school training-delivery funding model.

The Ministry is developing a Continuous Improvement Performance Management System for the Ontario apprenticeship system. The system is targeted for completion by January 1, 2004. Part of that system is key performance indicators. For example, information will be provided that will allow the Ministry to evaluate pass/fail results by trade, by class, by level of schooling, and by funded training-delivery agent in order to establish a benchmark that would result in a key performance indicator. The Ministry expects that the measures will result in positive changes being made by funded training deliverers.

LITERACY AND BASIC SKILLS PROGRAM

The most recent *International Adult Literacy Survey*, conducted in 1994, found that approximately 20% of the adult Ontario population did not have the basic literacy skills to meet workplace and daily living requirements. The Literacy and Basic Skills program supports and funds some 200 literacy agencies, including not-for-profit community groups, school boards, and colleges that provide services at some 300 sites across the province. The Ministry provides approximately \$55 million annually for service delivery and approximately \$5 million for service development.

The services provided are intended to help adults improve their literacy skills so that they can enter or re-enter the workforce, go on to further education or training, and/or gain

independence. Accordingly, the program focuses on adults who are unemployed, with special emphasis on those receiving social assistance. To be eligible for services, a client must be at least 19 years old, out of school, and assessed as lacking the literacy skills necessary to find and keep employment or meet everyday needs. Learners must be able to demonstrate progress through their ability to complete exercises related to their goals.

Tracking and Reporting Participant Outcomes

Information about outcomes is essential for assessing and improving the performance of both literacy delivery agencies and the program overall. Performance indicators enable the Ministry to demonstrate whether the delivery agencies and the program overall are achieving the intended results and to link funding decisions to those results.

In 1999/2000, the Ministry established a performance measure for tracking outcomes for participants—the percentage of participants who got a job or went on to further education or training as measured three months after the participant completes or leaves the program. In the Ministry's Business Plan for 2000/01, the Ministry stated its commitment to have its delivery agencies provide 65,000 clients with initial services, such as information and referral. Of those 65,000 clients about 44,000 (68%) were to receive more intensive, longer-term instructional services. Of those 44,000, about 31,000 (70%) were to obtain employment or go on to further education or training.

In its Business Plan for 2001/02, the Ministry increased the target number for clients in all three areas, but did not report publicly on the actual results for 2000/01. Internally, division management reported the actual 2000/01 program accomplishments as "62,800 clients received service and 80% of participants got a job or went on to further education or training." This could lead one to assume that 50,200 clients (80% of the 62,800) had a positive outcome. However, these reported results are misleading for several reasons.

First, the actual 2000/01 program results did not reflect the fact that only 21,700 of nearly 40,000 clients who received intensive services during the year actually completed or left the program. According to the agencies we visited, some clients require several years to complete their goals. However, the Ministry's outcome target did not take into account the number of clients who entered the program in prior years and the number that remained in the program at the end of the year.

Second, in order to determine the rate of positive outcomes, all clients are to be surveyed three months after completing or leaving the program. However, agencies did not use consistent practices in determining which clients to survey. Of the agencies we visited, one surveyed participants who had completed their learning plans, another attempted to contact only participants who had been in the program for a minimum of six months, and only one was properly surveying all clients who had completed or left the program. As a result, delivery agencies on average attempted to survey only 60% of the 21,700 clients who completed or left the program in 2000/01.

Third, agencies were unable to contact about 28% of the clients they attempted to survey. Of the approximately 9,200 clients who were contacted, the agencies reported that about 7,400 clients had a positive outcome, an 80% success rate.

Excluding the approximately 3,800 lost contacts from reported results distorts reported results. For instance, one agency we visited had lost contact rates of 75%, 46%, and 63% over the past three fiscal years. Clearly, the outcomes reported by this agency are less reliable than those reported by agencies that had far fewer lost contacts.

Also, at the time of our audit, the Ministry was unable to track the length of time clients stayed in the program. Length of program participation, combined with other available information such as client profiles, would help the Ministry identify trends in helping participants reach their goals as well as areas needing corrective action.

Recommendation

To strengthen accountability and provide a sound basis for making informed funding decisions about its Literacy and Basic Skills program, the Ministry should:

- **ensure all program delivery agencies consistently conduct and report the results of their participant outcome surveys;**
- **require that all program delivery agencies take steps to minimize lost contacts and to report them as part of program performance;**
- **track and report the length of time clients remain in the program; and**
- **report actual performance results in its Business Plan to permit a comparison with its commitments.**

Ministry Response

We agree with this recommendation, and steps are being taken to ensure all program delivery agencies are consistently conducting follow-ups for all learners after leaving the program. The definition will be clarified in the Literacy and Basic Skills Program Guidelines, and ministry staff will reinforce compliance in program visits.

Lost contacts will be included in the calculation of outcomes beginning with our reporting in 2003/04. Lost contacts will also be factored into program performance measures as they are being developed and introduced over the next two years.

With the implementation of the information management system, the Ministry can now generate a report that tracks the length of time clients remain in the program. In 2002/03, the Ministry will establish baseline data from 2001/02 and will continue to track durations from that point on.

The Ministry has begun the process of developing program outcomes. In the Ministry's 2002/03 Business Plan, the performance targets have been stated

more clearly to ensure transparency and clarity of understanding. Specifically, a target has been established for the number of clients accessing information and referral services separate from the number of clients accessing the more intensive training-related services. This will facilitate future reporting on program outcomes.

Linking Funding to Performance

The Ministry negotiates annually with each service delivery agency to establish the number of contact hours to be provided. Contact hours represent the total amount of time that an agency is planning to spend delivering literacy services to all of its clients. The ministry-established funding ranges, within which each agency's approved funding allocation must fall, are based on the negotiated level of contact hours. Thus, funding is based on the amount of services to be provided. The Ministry needs to establish a specific link between funding levels and the quality and effectiveness of services in meeting client needs.

Also, the level of funding is not sufficiently responsive to changes in activity levels, either in total or at individual agencies. Specifically, in the two fiscal years since this approach to funding was introduced, agencies have only provided approximately 85% of approved contact hours although they spent 97% of their funding. In 2000/01, for example, delivery agencies planned to provide 6.9 million contact hours for the \$57.9 million in funding they were allocated, but they actually provided only 5.9 million hours for the \$56.2 million they spent. Consequently, while the approved cost-per-contact hour was \$8.35 based on total funding allocated, the actual cost-per-contact hour was \$9.38 in that year, about 12% higher than planned.

To determine whether funding provided to service delivery agencies was being adjusted in cases where actual service provided was significantly different than the expected level of service, we reviewed the funding and reported activity for a sample of sites for 2000/01. We noted that 37% of these sites only provided between 52% and 83% of the approved contact hours yet all of them had spent virtually all of the funds provided by the Ministry. Furthermore, for some of the sites we reviewed, this was the case in both years reviewed, as illustrated by the following table.

Examples of Underperforming Agencies

	1999/2000			2000/01		
	Funding Spent (%)	Hours Provided (%)	Actual Cost Per Hour as % of Approved Cost Per Hour	Funding Spent (%)	Hours Provided (%)	Actual Cost Per Hour as % of Approved Cost Per Hour
Site A	97	87	110	95	70	147
Site B	95	63	151	92	70	134
Site C	97	86	116	99	72	140

*Source of data: Ministry of Training, Colleges and Universities
Prepared by the Office of the Provincial Auditor*

Recommendation

To help ensure that funding to delivery agencies for the Literacy and Basic Skills program is appropriate and equitable based on the level and quality of services provided, the Ministry should implement a funding model that:

- sets out the conditions and process which will result in adjustments in funding; and
- recognizes whether delivery agencies have been successful in helping their clients achieve positive outcomes.

Ministry Response

We agree with this recommendation. The Ministry has already begun a review of its funding model. The revised funding model will be based on a principle of transparency and will be linked to performance standards to ensure that quality and effective services are provided. Benchmarks will be established and funding levels adjusted based on performance and circumstances. Introduction of the new funding model will occur late in the current fiscal year with implementation in November 2003 for the 2004/05 business planning year.

Monitoring Delivery Agency Performance

The Ministry requires that its field consultants visit each agency approximately every 12 to 14 months to evaluate its progress towards meeting ministry Business Plan commitments and its level of adherence to program guidelines and standards as well as the overall quality of program management. The agency visits are an important means of monitoring agency and program performance given that performance reporting on the quality and effectiveness of literacy services is under development. Consultants determine which agencies to visit based on: the time elapsed since the previous visit, as well as the consultant's ongoing dialogue with the agency, awareness of specific issues, and overall impressions of the agency's success.

We found that the Ministry's program for agency visits needed to be strengthened. Specifically, the program lacked:

- a formal assessment of risk factors, such as complaints, financial- and performance-reporting problems, failure to meet contact-hour targets, and the results of previous visits; and
- sufficient oversight of the process to ensure that problems identified were acted on in a timely manner.

At the time of our audit, the Ministry was developing an assessment tool to help field consultants assess how well agencies were performing.

In addition to effective agency selection, the Ministry needs to maintain an accurate record of all agency visits completed and the status of any corrective actions required. At the time of our audit, the Ministry had begun to maintain a summary of agency-visit activity but it had not been completed.

Recommendation

To more efficiently and effectively ensure that field consultants and delivery agencies for the Literacy and Basic Skills program are meeting its expectations, the Ministry should:

- ensure that field consultants formally assess the risk of performance problems when selecting and conducting monitoring visits to delivery agencies; and
- track and summarize the results of all monitoring visits to determine whether visits are being conducted as expected and whether corrective actions are being taken when problems have been identified.

Ministry Response

We agree with this recommendation. In 2002/03, the Ministry will formalize the risk-assessment component used for determining the need and frequency of agency visits. The risk-assessment component will be reviewed and refined as performance standards are implemented.

The Ministry will complete its tracking system to ensure all agency visits comply with our risk-assessment approach and will take corrective action as required.

ACQUISITION AND MANAGEMENT OF CONSULTING AND OTHER SERVICES

Since the 1998/99 fiscal year, the Ministry has provided funds to two third-party, not-for-profit agencies totalling approximately \$11 million to undertake significant projects and to purchase related consulting, training, information technology, and other services to improve delivery of the Job Connect and the Literacy and Basic Skills programs. In each case, the agency received transfer payments from the Ministry to administer and pay for services on the Ministry's behalf. In doing so, the Ministry did not follow the prudent purchasing and approval policies that would have applied if these significant services had been acquired directly by the Ministry. It also paid about \$600,000 in GST on these services that it would not have had to pay had it engaged the service providers directly.

While the services were engaged to provide standardized systems, reports, and monitoring tools, as well as training and support for program delivery agencies, the Ministry did not

adequately control the acquisition and management of these services. We had concerns with the way the services were acquired, the way funds were advanced, and the way the contracts were managed. The Ministry could not demonstrate that value for money was obtained for the services provided.

Information Systems Development Projects

JOB CONNECT

In the 1998/99 fiscal year, the Ministry asked a third-party, not-for-profit agency representing about half of the program delivery agencies to co-ordinate a project to develop and implement the Ministry's Job Connect information system. The not-for-profit agency then hired a company to co-ordinate the project without a competitive process. The company advised us that it hired a systems development firm through a selection process, but we were unable to review the process because the company was not required to retain the relevant documentation for more than three years. The systems developer reported directly to the company. From 1998/99 to 2001/02, the third-party, not-for-profit agency paid the company a total of \$4.4 million in ministry transfer-payment funds, including the billings from the systems development firm (\$1.1 million in 1998/99, \$593,000 in 1999/2000, \$1.8 million in 2000/01, and \$920,000 in 2001/02). In addition to the original development project, the Ministry's annual funding for this project has included amounts for functional enhancements and maintenance of the system as well as delivery-agency training on the use of the system. The Ministry was planning to provide further funding in this regard in 2002/03.

The Ministry requested yearly proposals from the company between 1999/2000 and 2001/02. The proposals included planned project deliverables and corresponding costs. The annual agreements with the not-for-profit agency itemized the project deliverables the company was to provide but did not provide corresponding costs. The costs were approved as a lump-sum amount only. The annual audited financial statements requested by the Ministry provided assurance on the total project expenditures incurred by the company but not on costs incurred for each project deliverable. Thus, the Ministry could not ensure that those costs were reasonable and appropriate.

LITERACY AND BASIC SKILLS

In March 2000, the Ministry asked a not-for-profit service agency with information-technology and literacy-sector experience to lead development of the Ministry's Literacy and Basic Skills information management system. In this case, the not-for-profit service agency also acted as the project manager for the contract. In August 2000, the agency selected a consulting firm to develop the system based on a bid price of \$700,000. In November 2000, the agency submitted a more comprehensive project proposal that included systems development, training, project management, technical support, and administrative overhead costs totalling \$3.8 million. The system development component increased from

\$700,000—the original bid—to approximately \$1.6 million. The remainder of the proposal, \$2.2 million, was for project management services, delivery agency training, and technical support to be rendered by the not-for-profit service agency that was selected without competition. The Ministry approved the \$3.8 million project proposal in December 2000.

As at March 31, 2002, the total costs billed were about \$3.6 million, but the system was not yet complete. System development costs had increased to \$2.3 million, a \$1.6 million increase from the August 2000 proposal. Three factors increased development costs:

- The project deliverables had not been finalized before the request for proposal (RFP) was issued in August 2000. The request for proposal instructed bidders that “the user requirements and preliminary data designs are still in progress. No decision has been made on what data identified will actually form part of the LBS [Literacy and Basic Skills] information management system.” Poorly defined project deliverables forced one bidder to respond “it is difficult to estimate the development work to be done and therefore our work effort.”
- The Ministry did not direct the project manager to include the second phase in the RFP in August 2000, but it was included in the November 2000 project proposal received from the project manager. The Ministry eliminated any possible economies of scale from bidders by not including both phases in the original RFP or by conducting another RFP.
- The system development consultant was allowed to add 35% to its original bid to allow for unanticipated changes even before the project had begun.

As with the system consulting service contracts we reviewed for Job Connect, the audited statements provided only the total costs incurred by the agency. Given the limited financial information provided, the Ministry could not compare what it paid for each deliverable to what it had approved for each deliverable.

OBTAINING APPROVALS AND CONTROLLING COSTS

Both of these projects and related consulting contracts were approved and awarded within the Ministry’s transfer-payment approval authority. Normally such significant information systems development projects require the approval of the Minister and Management Board of Cabinet. However, by providing transfer-payment funds to third-party agencies, these approvals were not obtained. That approval process is designed to ensure projects have been thoroughly justified and that proper competitive acquisition and project management processes have been established. Government directives also require specific senior management and central agency approvals to be obtained before awarding consulting contracts without a competitive process. However, the Ministry was unable to provide any documentation justifying or approving any exemption from following a competitive process. An open and transparent, well-defined, competitive process was not followed, and without a competitive process, the Ministry could not demonstrate that it obtained value for the funds expended.

In contrast, we noted that the Ministry did obtain all required approvals and followed a competitive process before awarding the consulting contract or releasing funds for the development of its new apprenticeship information system. Ministry operating funds were being used to develop the system.

Computer Acquisition Projects

LITERACY AND BASIC SKILLS PROGRAM

The Ministry hired the same not-for-profit service agency managing the Literacy and Basic Skills program information systems project to oversee two projects to help program delivery agencies acquire new computers and software. The first computer acquisitions were to support program administration and the new information system, and subsequent acquisitions were to support service delivery to participants. The projects commenced in 1999/2000 and 2000/01, respectively, and total funding allocated was \$6.1 million: \$900,000 for services, such as assessing the equipment and training needs of the agencies as well as for overall project management and administration; and \$5.2 million for the acquisition of computers. We reviewed the two projects and noted the following concerns.

The Ministry provided a lump-sum payment to the agency at the commencement of each project, rather than flowing funds only when required. At the completion of the two computer distributions, the agency still held approximately \$1.1 million in ministry funding. The surplus funding arose for two reasons. First, the Ministry over-funded the agency by \$500,000 even before the two projects began by miscounting the number of agencies to be funded. Second, the delivery agencies spent \$600,000 less than expected to acquire the necessary equipment.

In March 2002, the Ministry instructed the agency to use approximately \$900,000 of the \$1.1 million surplus for other projects, such as purchasing additional computers, developing training courses for the agencies, and constructing a technical support area at the agency's facility. These additional projects were to be completed by March 31, 2002.

No detailed accounting of actual expenditures was obtained by the Ministry. For example, we determined that the agency billed and was paid an additional \$48,000 over and above the proposed and approved project administrative fees of \$190,000. For the second computer distribution project, the approved fee was based on a percentage of project costs as well as a percentage of the costed computer equipment purchases. As a result, the approved administrative fee increased from \$40,000 (15% of costs, excluding computer purchases) for the first project to \$150,000 (51% of costs, excluding computer purchases) for the second project. The Ministry could not provide any support for approving the increase.

Job Connect Coaching and Other Consulting Services

In 1999/2000, the Ministry requested another consulting firm to submit a proposal to provide professional coaching services to its Job Connect delivery agencies. Again, no competitive selection process was followed. Between 1999/2000 and 2001/02, the not-for-profit agency involved with the Job Connect information system project paid the consulting firm over \$2.1 million from ministry transfer payments, \$700,000 in each fiscal year. While most of the money was used to pay for coaching services provided to agencies, the consultant also assisted the Ministry directly by developing an agency evaluation framework and preparing new program guidelines.

GST Payments

The Ministry is GST-exempt when paying for services. However, the consultants were billing the not-for-profit agencies for services rendered, so GST was included in their billings. By using not-for-profit agencies, the Ministry has paid approximately \$600,000 more for these consulting services than it would have had to if it contracted directly with these consultants.

For the Literacy and Basic Skills program, the not-for-profit agency correctly billed the Ministry 3.5% GST rather than the full 7% since the third-party administrator is a non-profit organization and is entitled to a 50% refund of GST paid. For services related to Job Connect, however, the not-for-profit agency included the full 7% billed by the consultants in its billings to the Ministry. We estimated that, since 1998/99, the Ministry paid the administrator \$235,000 for GST that the administrator did not have to pay.

Recommendation

To better ensure that value for money is achieved in acquiring consulting and other services, the Ministry should:

- **comply with government policies for the acquisition of such services regardless of the source of funds used to acquire them; and**
- **recover any funding provided to transfer-payment agencies that relates to GST that they were not required to pay.**

Ministry Response

We agree with this recommendation. For the Job Connect system, the process undertaken in 2001/02 incorporated more prudent controls and processes for the acquisition of such services for 2002/03. The budget awarded to the successful bid is very comparable to systems development and support costs in the previous contracts and was identified by the Ministry's Information Technology Branch as meeting a standard of value for systems development.

For the Literacy and Basic Skills (LBS) system, all subsequent systems development work will be fully scoped and tendered by the third-party service agency.

The Job Connect information system supports the delivery of consistently high-quality services to individuals and employers across the province. It provides delivery sites with the agency-level program data they need to plan, evaluate, and adjust services to improve customer service in their communities. The LBS system is expected to provide similar benefits when completed.

The data on individuals and employers, services provided, outcomes achieved, customer satisfaction, and costs supports the Ministry's ability to evaluate program policy and design in relation to its core business and strategic objectives. The systems also provide standardized, province-wide reporting mechanisms that allow the Ministry to manage the performance of funded agencies and to report program results effectively.

A request for proposal (RFP) was not conducted for the delivery of coaching and other training services. The consulting firm that provided the coaching and training services was recommended by an advisory group representing the Job Connect delivery network based on their evaluation of an initial coaching and training project undertaken by the not-for-profit sectoral agency.

The agency has been notified that an RFP must be conducted for network coaching or training development projects identified by the advisory group for 2003/04.

The Ministry had already taken steps to recover GST that the not-for-profit agency was not required to pay. The Ministry will also ensure that GST is appropriately funded in future projects of similar scope and size. In addition, the Ministry will explore the implications of and options for developing policies/procedures related to the recovery of GST spent in the delivery of program services.