

Chapter 3

Section 3.10

Office of the Chief Election Officer

Background

The Office of the Chief Election Officer, known as Elections Ontario, is an independent agency of the province's Legislative Assembly. Under the *Election Act*, the Lieutenant Governor in Council appoints a Chief Election Officer on the recommendation of the Legislative Assembly. The responsibilities of the Chief Election Officer include:

- the organization and conduct of general elections and by-elections in accordance with the provisions of the *Election Act* and the *Representation Act, 1996*; and
- the administration of the *Election Finances Act*, which regulates political contributions, spending limits, party/candidate registration, and advertising.

Elections Ontario states that its mission is “to guarantee the democratic voting rights of Ontario electors, assist in making the finances of political interest transparent and to ensure efficient, cost-effective and non-partisan administration of the electoral process.”

In 1998, amendments to the *Election Act* added a requirement that the Chief Election Officer establish a permanent register of electors for Ontario

that must be updated for all of Ontario “at least once in a calendar year.”

As Figure 1 illustrates, total expenditures incurred by Elections Ontario related to the *Election Act* more than doubled in the four years leading up to and including the 2003 election compared to the four years leading up to and including the 1999 election. Figure 1 also includes expenditures for the 2004/05 fiscal year and projected expenditures for the following three years, according to figures Elections Ontario supplied to the Ministry of Finance in April 2005.

With the approval of the Board of Internal Economy (an all-party board chaired by the Speaker), Elections Ontario has increased the number of its permanent staff positions from 19 in 2002 (which had been the staff complement for a number of years) to 61 currently.

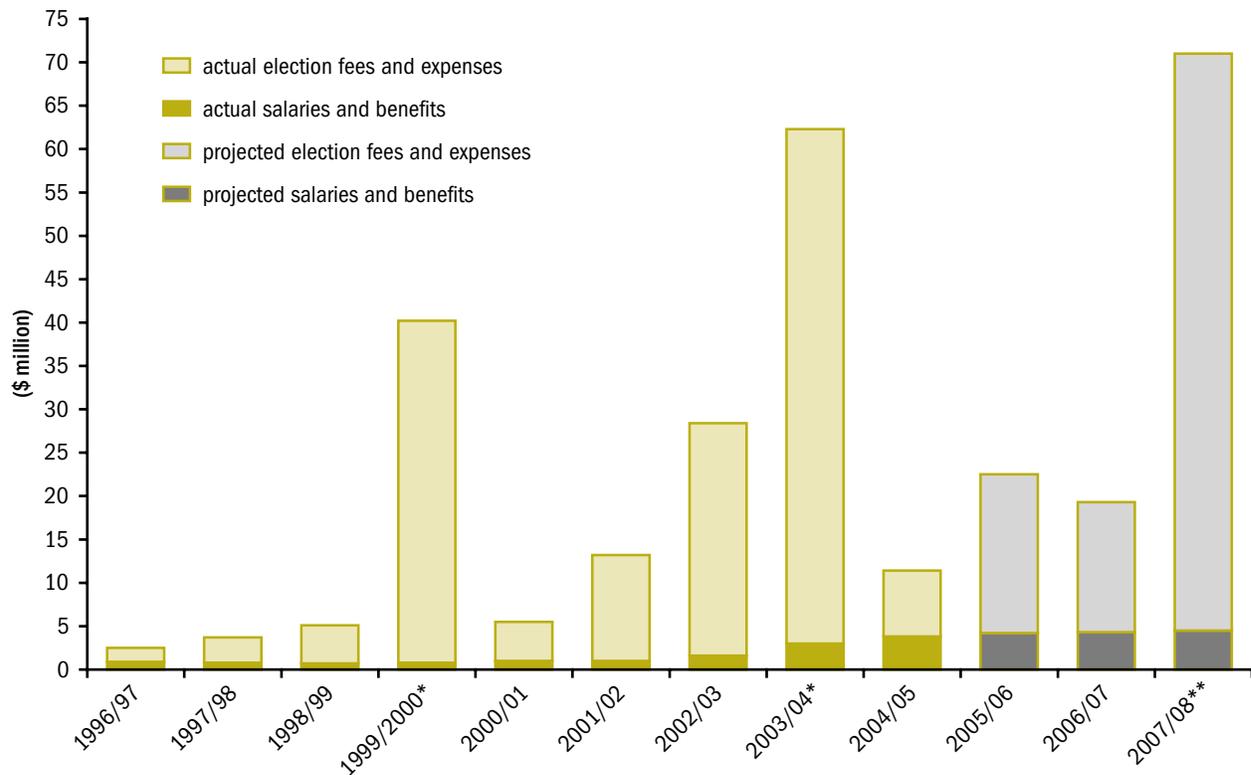
This was the first value-for-money audit conducted at the Office of the Chief Election Officer since 1985.

Audit Objective and Scope

Our audit objective was to assess whether Elections Ontario was being managed with due regard

Figure 1: Elections Ontario's Expenditures Under the *Election Act*, 1996/97–2004/05 (Actual) and 2005/06–2007/08 (Projected)

Source of data: Elections Ontario



*election year

**projected election year

to economy. Our audit focused on the categories of expenditures where increases were the most significant—namely, consulting services and travel and hospitality.

Our audit criteria were based on the specific policies of Elections Ontario and on general government policies for the prudent management of such expenditures.

Summary

As a legislative office, Elections Ontario is independent of government. However, unlike other legislative offices, it is not required by its enabling legislation (the *Election Act*) to submit a budget to, or

receive approval from, the Board of Internal Economy for the vast majority of its expenditures. Furthermore, there is also no requirement for Elections Ontario to report annually on its activities.

The results of our audit work indicated that more care is needed in certain areas in the spending of taxpayer funds. In particular, we noted that Elections Ontario:

- did not have adequate procedures for acquiring consulting services, as we noted a number of instances where:
 - the process followed did not ensure fair and open access;
 - assignments were not clearly defined, leading to significant increases in cost; and
 - assignments or their extensions did not have a written contract or agreement;

- had not assessed whether running its own public call centre to handle calls from the public was the most economical means of providing the service;
- did not adequately consider all options to ensure that the \$4.4 million paid over 49 months to lease computer equipment was cost effective; and
- did not always ensure that hospitality and travel expenses incurred by its employees were reasonable and appropriate.

In several other provinces and at the federal level, chief elections officers report annually to their respective legislatures, and some include all or most of their expected expenditures in an annual appropriation request. Given this, as well as the fact that Elections Ontario's annual expenditures have increased substantially over the last few years—and with budgeted expenditures over the next three years projected to be approximately \$119 million, of which approximately \$100 million would not be submitted to the Board of Internal Economy for approval—increased legislative oversight of Elections Ontario through the processes of appropriations approval and annual reporting warrants consideration.

Detailed Audit Observations

ACCOUNTABILITY

Under the *Election Act* (Act), Elections Ontario is required to submit an annual budget to the Board of Internal Economy regarding permanent staff salaries and benefits. For other expenses, which are classified as election fees and expenses under the Act, Elections Ontario is not required to submit an annual budget to the Board or receive approval for these expenditures. Over the past four years, these other expenditures have accounted for 92% of Elections Ontario's expenditures. Approximately one-

third of this amount is prescribed in a regulation under the Act, which sets the fees and allowable expense reimbursements paid to electoral officers.

The Chief Election Officer is required to report annually on the affairs of his or her office in relation to the *Election Finances Act*. However, there is no requirement for annual reporting on the activities or expenditures of Elections Ontario under the *Election Act*, which account for the majority of Elections Ontario's operating expenditures.

We noted that in certain provinces, the Chief Electoral Officer is required to include all expenditures of the office when submitting the annual budget for approval, and some are required to report annually on work done by the office.

Specifically:

- British Columbia requires that its Chief Electoral Officer submit an annual budget, including all administration and election expenses, to a select all-party standing committee for approval. The Chief Electoral Officer is also required to present to the Speaker an annual report on the work done under his or her direction and, after each election or plebiscite (that is, each direct vote of all electors on an important public question), a report on the proceedings, the results, and the costs.
- In Alberta, the Chief Electoral Officer must annually submit expenditure estimates to a standing committee for approval. The Chief Electoral Officer is also required, immediately following each enumeration, general election, or by-election, to prepare a report to the standing committee.
- Manitoba requires that its Chief Electoral Officer submit to its Legislative Assembly Management Commission an annual budget that must include, in addition to salaries and benefits for permanent staff, operating costs including rent, phones, and photocopiers. Not included are election preparation and other direct election costs, which are included in the estimates for

information purposes only. The Chief Electoral Officer is also required to issue to the Speaker an annual report on the work done under the direction of the Chief Electoral Officer and, after each election, a report about the conduct of the election.

- Saskatchewan requires that its Chief Electoral Officer submit an annual budget to its Board of Internal Economy for review. The Board may make any alterations to the estimate that it considers proper. The budget includes expenses for ongoing administration and annual electoral-related activities, such as expenses relating to travel and business, ongoing contractual services, and capital assets. Direct expenses for a general election or a by-election are not included in the budget. The Chief Electoral Officer is also required to submit an annual report describing his or her progress and activities in the previous year.

We also noted that the Office of the Chief Electoral Officer of Canada (Elections Canada) annually publishes a report on its plans and priorities, which includes estimates of its forecasted expenditures for the upcoming year. After each fiscal year, Elections Canada publishes a performance report that discusses its key achievements and progress against its plans and priorities.

We note that the Chief Election Officer, in his September 2004 report on the October 2003 election (see next section), supported the concept of mandatory annual reporting, stating that:

there must be a clear and open accountability structure that assures citizens and political interest groups that [the Chief Election Officer's (CEO)] actions are clearly in support of the principles of fairness, secrecy, transparency and accessibility.

While reporting to the Assembly on *Election Act* administration when he chooses may be to the advantage of the Chief Election Officer, the public is not well served.

Mandatory annual reporting and the opportunity to give the Advisory Committee of Registered Political Parties some status as a provider of political counsel to the CEO will provide a necessary balance of his ability to act and his protection of the public trust.

In view of the accountability and transparency requirements for, and practices of, electoral officers in certain other Canadian jurisdictions and given the significant increase in the expenditures of Elections Ontario (as well as its projected expenditures), the Legislative Assembly and the government should consider requiring that Elections Ontario submit an annual budget to the Board of Internal Economy that covers all planned expenditures and that it report annually on its activities and expenditures.

OFFICE RESPONSE

In the interests of achieving a greater degree of openness in the administration of the electoral process, expenditures associated with the delivery of the 2003 general election were published in the 2004 report *Access, Integrity and Participation: Towards Responsive Electoral Processes for Ontario*. Within the 2004 report, we also made several proposals to legislators for improved accountability and transparency, including a proposal for mandatory annual reporting by the Chief Election Officer.

The statutory report under the *Election Finances Act* for 2004 will be published before the end of this calendar year. We will take advantage of this opportunity to provide information on the activities of Elections Ontario to members of the Assembly and the public. While the publication vehicles may change in future, we will continue to provide annual reports on the activities of the Office of the Chief Election Officer. In particular, we intend to ensure that

estimates of election costs are published before the next general election takes place.

To date, the obligation to preserve a constant electoral readiness has precluded the preparation and publication of meaningful expenditure estimates. However, if the legislation currently before the Assembly is passed and a fixed election date is established, it will be possible to develop reasonable estimates of Elections Ontario's statutory expenditures on events and activities for the information of the Assembly in the new environment.

GENERAL ELECTION REPORTING

Although not required to do so, in September 2004, the Chief Election Officer issued a report to the Speaker. The report, titled *Access, Integrity and Participation: Towards Responsive Electoral Processes for Ontario*, was described as “an overview of activities conducted by the Office of the Chief Election Officer over the past four years.” It also covered activities related to the October 2003 election and listed a number of new approaches that were undertaken in preparation for that election, including:

- a new advertising campaign to reach out to electors;
- equipping returning officers' home offices with computer equipment;
- a province-wide “target registration” exercise that was conducted to improve elector information in targeted areas, such as high-density residential buildings and residential properties with recent ownership changes; and
- new approaches for training administrative staff and field workers.

This report also stated that the cost of the election was \$47.7 million, or \$5.99 per eligible voter. However, Elections Ontario did not provide a clear definition of “election cost” in the 2004 report or identify which items were included and excluded

from the calculation. Specifically, it was not made clear that the costs of the new approaches discussed in the report were not included. For instance, the following expenditures were excluded because Elections Ontario considers the useful life of these investments to be more than one election, or that the activities were required to be conducted whether or not an election was called:

- approximately \$13 million spent on the “target registration” exercise and on establishing home offices for returning officers;
- \$1 million of the \$1.3 million spent on designing and producing the new advertising campaign; and
- the \$500,000 cost of developing a new approach to training administrative staff and field workers.

In the report, Elections Ontario compared the costs of the 2003 and 1999 elections. Elections Ontario indicated to us that direct comparisons should be approached with caution because 1999 and 2003 represented very different business environments. We agree that direct comparisons should be approached with caution. For instance, we found inconsistencies in how Elections Ontario calculated the costs for the 1999 and 2003 elections that would have an impact on the comparisons made in the 2004 report. For example, the 1999 costs included 24 months of information technology support and legal expenses, while the 2003 costs included only six months of such expenses. Based on our calculations, if treated consistently, these costs alone would have increased the reported cost of the 2003 election by \$1.1 million.

RECOMMENDATION

To help ensure that amounts reported as election costs are clearly understood, Elections Ontario should clarify the basis for calculating the expenditures and ensure that comparative figures are calculated on a consistent basis.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Elections Ontario intended to adopt the 2003 electoral event as a baseline for expenditures and operations, against which future events could be measured. The significant analysis of the 2003 expenditures that is being undertaken will provide a framework for consistent presentation of expenditures in any future public information materials and could support reporting if a statutory requirement for reporting becomes a part of the *Election Act*. Elections Ontario would value the counsel of the Office of the Auditor General as it develops the framework.

PURCHASING PROCEDURES

Acquisition of Consulting Services

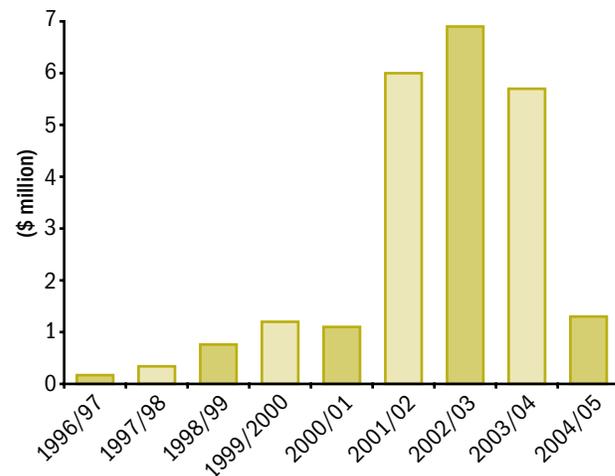
As Figure 2 indicates, spending by Elections Ontario on consulting services has increased significantly over the past several years and totalled about \$20 million over the past four years. Elections Ontario indicated that such a significant increase was necessary due to new statutory responsibilities, Elections Ontario's "expanded mandate, and the requirement to be able to produce an electoral event on demand."

Competitiveness and Open and Fair Access

Elections Ontario's purchasing policy states that services must be acquired competitively, potential suppliers should have fair access, and requests for proposals should be open for a minimum of 14 days. However, its policy does not require public tenders, regardless of the cost of an assignment. A useful benchmark for Elections Ontario to consider are the requirements in the Management Board of Cabinet *Procurement Directive for Consulting Services* (Directive).

Figure 2: Elections Ontario's Expenditures on Consulting Services, 1996/97–2004/05

Source of data: Elections Ontario



Among the Directive's main principles regarding the acquisition of consulting services is that the process be competitive, open, and transparent. If the estimated ceiling price of consulting services exceeds \$25,000, the Directive requires that a request for proposals be issued, proposals undergo written evaluations, and a written agreement be drawn up. If the estimated ceiling price is \$100,000 or more, an open call for tenders must be issued through MERX (a website that lists public tenders issued by the federal and a number of provincial governments) or other appropriate media.

The Directive also stipulates that access for suppliers is to be open, fair, and consistent. When acquiring consulting services, government entities must avoid conflict of interest, must not permit a supplier to gain a monopoly for a particular kind of work, and must not continuously rely on a particular outside organization.

In practice, while Elections Ontario generally engaged consultants through a request-for-proposal process, we found numerous instances where only a limited number of suppliers were invited to submit proposals. As a result, the number of bidders was often small, and, at times, the process followed

appeared to be geared to selecting a particular supplier. For example:

- In June 2001, Elections Ontario invited six potential bidders to submit proposals to fill the contract position of Manager of Election Officials. Only two of the six bidders were located in Toronto, where the job was located. Only three bids were received. The successful bidder, who was from Toronto, was awarded a one-year contract for \$135,000 with a subsequent one-year extension. The second-ranked bidder was from Ottawa and incorrectly assumed that the majority of the work could be completed in Ottawa. The third bidder was from Collingwood.

In June 2003, the successful bidder and the Ottawa- and Collingwood-based bidders from June 2001 were invited to bid on a contract for Special Projects Advisor. No other potential suppliers were approached. We questioned why only these bidders were invited to bid, particularly since one of the losing bidders from the previous competition had already indicated that the work location was not suitable. Only the successful bidder from the June 2001 competition submitted a bid.

We were also concerned that the successful bid incorporated “insider” knowledge of ongoing changes at Elections Ontario, including anticipated new responsibilities that were not specified in the request for proposals. Specifically, the incumbent’s proposal stated that the position would include the responsibilities of the then-Director of Corporate Services, who was leaving the organization. The successful bidder has been the Director of Corporate Services since August 2003. From June 2001 to July 2005, payments to this consultant have totalled approximately \$550,000. We also understand that this individual has recently signed a three-year employment contract with Elections Ontario at an annual salary of \$120,000.

In reviewing the invoices from this consultant, we noted that during October, November, and December 2003, billings totalling \$10,665 were for services related to a municipal election, including a municipal election recount. We found no documentation or other support indicating why such billings were paid by Elections Ontario.

We also understand that the incumbent is a retired employee from the Ontario Public Service (OPS) and is collecting a pension from the Public Service Pension Plan. The *Public Service Pension Act* stipulates that any former employee receiving a pension who is re-employed or engaged in any capacity, including through a third-party corporation, shall have his or her pension reduced to the extent that the retiree’s combined incomes from pension and re-employment do not exceed the amount earned just before retirement. We understand that while the Ontario Pension Board relies on OPS employers to notify it when they employ retirees, Elections Ontario had not done so in this case.

- In June 2002, requests for proposals for a Toronto-based Policy Advisor were sent to five potential bidders. Only two bids were received, one of which was from the Ottawa supplier involved in the bidding for the Manager of Election Officials position discussed earlier. Once again, this Ottawa bidder mistakenly assumed that the majority of the work could be completed in Ottawa. The Ottawa bidder submitted a bid that was considerably lower (\$500 per day) than the winning bid (\$935 per day), and we presume, in view of the Ottawa bid, that there may have been others in the Toronto area who might have bid less than \$935 per day if given the opportunity. Since July 2000, the winning consultant had been working on other projects for Elections Ontario. One project continued until the next provincial election, which occurred in

October 2003. The consultant issued a report on this assignment in December 2003.

In June 2004, when the Policy Advisor contract was ending, Elections Ontario invited the incumbent and three potential bidders from the Ottawa area to submit proposals for a succeeding contract. Contrary to Elections Ontario's policy, bidders were given only seven days to submit their proposals. Only the incumbent and the previous bidder from Ottawa submitted bids. Elections Ontario asked the bidder from Ottawa to adjust its bid to cover travel costs. The bid was increased to \$850 per day, while the incumbent bid \$950 per day. The contract was awarded to the incumbent. From June 2002 to July 2005, payments to this consultant for duties as Policy Advisor have totalled approximately \$390,000.

- In another case, Elections Ontario sent an invitation request for proposals to six potential vendors to develop a training program for administrative and field staff. Only one bid was received. While the initial contract amount was \$156,000, the scope of the project was not clearly defined in the request for proposals, and the scope and nature of the work changed dramatically, increasing the total cost to \$490,000, 213% over the original budget. Of this amount, the cost of producing training manuals, which the bidder originally set at \$24,000, increased by 484% to \$140,000. Elections Ontario was unable to provide evidence that a sixfold increase in the original proposal price for these manuals was necessary and reasonable.
- In 2003, Elections Ontario sole-sourced two assignments to a consultant from the United States. There were no signed contracts. The first assignment, for \$30,000, was to conduct an operational review during the 2003 election by interviewing a sample of returning officers and senior Elections Ontario staff. The consultant was paid \$1,000 per day for 30 consecutive days from September 3, 2003 to October 3, 2003.

This assignment was to be done in partnership with another consultant, who was paid \$100 per hour. However, the other consultant did not start billing until September 13, 2003, when the statement of work for the assignment was finalized.

Elections Ontario then hired the same U.S.-based consultant to manage its already established call centre. The assignment was the result of an agreement with a municipality, whereby Elections Ontario's call centre would be a backup call centre for that municipality's election from November 1 to 10, 2003. However, the municipality ended up not requiring the services, and the call centre was not activated. The municipality paid Elections Ontario a standby fee of \$36,000, of which \$26,500 was paid to the consultant, based on 26.5 days at \$1,000 per day, from October 15 to November 11. Elections Ontario also paid \$2,800 to cover the consultant's accommodations for 17 nights. Furthermore, there was no documentation indicating why the services were billed starting on October 15 if the backup call centre was to cover only the November 1 to 10 period.

Assignment Definition and Scope

Another provision of the Directive that should be considered by Elections Ontario requires that before assistance is sought from suppliers of consulting services, assignments should be well defined and justified. In addition, clear terms of reference—including objectives, scope, tangible deliverables, timing, and progress reporting—must be established. Also, a firm ceiling price must be tied to tangible deliverables.

In several cases, consulting assignments were not properly scoped or deliverables were not identified before the requests for proposals were issued. As a result, Elections Ontario assigned consultants additional work after the contract was awarded. No contract ceilings were established for many assignments. Billing rates were established from

the requests for proposals, but the quantity of work billed could not be assessed for reasonableness.

In not defining a fixed price for tangible deliverables, Elections Ontario assumed several risks, including consultants not delivering their work on time and Elections Ontario having to pay any added costs resulting from, for example, missed deadlines and budget overruns. For example:

- A consulting firm was awarded a contract in April 2002 to create an electoral geography database and related business applications. Elections Ontario awarded the contract based on a fixed-price bid of \$260,000 for the database project, per-diem rates for maintenance work, and per-diem rates for future projects. Subsequently, Elections Ontario awarded two additional projects to this firm using the original per-diem rates. The projects totalled \$900,000. In total, \$2.6 million was paid to the consultant from May 2002 to March 2005 for the database project, maintenance work, and other added projects.

The quantity of work in the additional projects and the number of hours billed could not be evaluated against any other bidder or the marketplace to determine whether the hours were reasonable and value for money was received. In addition, the number of hours billed was extremely high. The invoices for work performed by individual staff members exceeded 250 hours—and in some cases 300 hours—per month for several months. According to the invoices, one employee worked 350 hours in February 2003 (or an average of 12.5 hours per day for 28 straight days, including weekends) and 275 hours in March 2003, at \$120 per hour. Such a large number of hours being billed daily brings into question whether the services provided by the consultant were of optimal quality and efficiently performed.

We also noted that the contracts for these additional projects were not signed until the

projects were nearly completed. For example, one \$700,000 project was started in February 2003, but the contract was not signed until May 2003, when the project was nearly completed. Another contract signed in February 2003 was for a project that started in November 2002.

We further noted that, while the costs established in these contract extensions were based on project components—such as project management and production of various maps—the consultant's billings listed only the people working on the project and corresponding charges. There was no reconciliation of the billings to the work components listed in the contract extensions to make it possible to determine what was billed and paid for each deliverable.

- In mid-2001, Elections Ontario awarded to a consultant, through a request-for-proposal process, a \$700,000 contract for system development work. From 2002 to early 2003, an additional \$900,000 was paid to this consultant for other related system development work. Based on the significantly increased project scope, Elections Ontario should have re-tendered the project to determine the range of amounts competing suppliers would have charged and to ensure that the amount ultimately paid was reasonable. We also noted that there was no written contract or even an addendum to the original contract for the additional \$900,000.
- Several consultants were awarded contracts based solely on per-diem rates. No fixed price with fixed deliverables was requested as part of the tendering process. Without specific deliverables, it is difficult to assess consultant performance and identify inefficiencies or poor performance that should not be billable. For example, one consultant billed \$246,000 for work conducted from November 2002 to February 2004 with no project ceiling or cap on billings. We noted that approximately 40% of that consult-

ant's billings was for work not initially identified in the request for proposals.

In all of the above instances, the lack of clearly defined deliverables and significant increases in cost over the originally agreed-upon amounts are indicative of the need for improved processes for engaging and managing consultants.

Acquisition of Other Services

On March 3, 2003, Elections Ontario invited four potential bidders to submit proposals for the design, development, implementation, and operation of a pilot voter-tracking solution in four advance polls. The suppliers had only seven days to submit their proposals. The only bid submitted was dated February 28, 2003, four days before the request for proposals (RFP) was issued. This supplier, who had only been incorporated on January 14, 2003, could not meet the requirements in the RFP of having prior experience and supplying three references. The contract was awarded for \$106,000. We also noted that, although this supplier was paid \$53,000 upon signing the contract, no services were needed or provided for a number of months. We were advised by Elections Ontario that this advance payment was made in exchange for a \$6,000 reduction in the bid price.

In another instance, Elections Ontario did not sign a contract with a supplier who was paid \$1.3 million for advertising services provided over a two-year period. We also noted that in 2003, this supplier, before actually doing any work, was paid the full billing for the 2003/04 advertising projects, totalling approximately \$300,000.

RECOMMENDATION

To help ensure that consulting and other services are acquired at the best available price and that the selection process is competitive, open, and transparent, Elections Ontario should:

- issue public tenders when significant services are being acquired (at a minimum, this should be a requirement for all assignments exceeding \$100,000); and
- ensure that all assignments have a written agreement or contract that clearly identifies the project deliverables, timelines, and a fixed ceiling price.

OFFICE RESPONSE

Elections Ontario accepts and will implement the recommendation.

The current Elections Ontario procurement policy generally reflects the principles that the Auditor General has identified and, while not requiring them, does suggest the use of public tenders for acquisitions in excess of \$100,000. However, we accept that the audit has identified areas for improvement in Elections Ontario procurement activity and controls, and the necessary changes will be implemented.

Over the period following the last election, the Elections Ontario purchasing policy has been subjected to a thorough review, which is now nearing completion. We believe that the new policy, which has been prepared with reference to similar policies from a range of organizations, including the Management Board of Cabinet, and which will be implemented in our current structured management and control environment, will ensure the competitive, open, and transparent acquisition of consulting services.

In late 2004, the Office embarked on a process that targets registration of the Office's management system with the International Organization for Standardization (ISO) following the next general election. To achieve this status, close attention is being paid to the development and enforcement of policies and procedures, including those relating to procurement.

CALL CENTRES

In March 2002, Elections Ontario established at its office in Toronto a public call centre with 57 lines and three supervisor lines to answer inquiries during general elections, by-elections, and other events; a call centre with 10 agents to handle email inquiries; and three call centres with a total of 40 agents to answer inquiries from internal field staff. Elections Ontario indicated that the initial investment to set up the call centres was \$555,000.

There was no evidence that Elections Ontario considered other alternatives before establishing the call centres, such as partnering with other government organizations or contracting out the work.

The public call centre was first used in March 2003 during the target registration project described earlier as an initiative to improve Elections Ontario's elector information in targeted areas. Elections Ontario's projection of call volume during this exercise was 430,000 calls; however, the actual number of calls received was only 14,800. After the exercise was completed, staff suggested that a less aggressive approach to staffing and training should be adopted in the future.

Prior to the October 2003 election, Elections Ontario projected that there would be 240,000 calls from the public to the public call centre during the 28-day election period. Only 139,000 calls were actually received.

Based on the projection of receiving 240,000 calls, Elections Ontario prepared an estimate of its staffing needs for each day of the 2003 election period. We noted that the projected staffing levels of 20 to 27 per day for the first 27 days of the election—which were based on the expected volume of calls—were significantly lower than the 57-staff capacity of the call centre. As a result, we questioned the underlying analysis supporting the establishment of a call centre with such a large capacity in view of Elections Ontario's own call volume and staffing projections. Elections Ontario staff informed us that this number of staff spaces

reflected what the call centre's premises could physically accommodate as opposed to the number of staff it would assign to work at the call centre.

In April 2002, Elections Ontario had signed a two-year lease for an Intelligent Call Exchange (ICE) electronic system that included 115 agent licences (57 for the public call centre plus three supervisor licences and 55 for the other call centres). The total cost of the lease and licences was approximately \$430,000. Elections Ontario paid monthly charges for the 115 leased ICE electronic system licences, as well as for 115 phone lines, incoming-call tolls, and mega-link circuits (enabling high-speed, high-volume service in integrating voice and other data). Based on the information provided to us, the total charges relating to phone services from April 2002 to March 2004 were approximately \$675,000 (\$330,000 in the 2002/03 fiscal year and \$345,000 in 2003/04).

Even though, as stated earlier, the number of licences actually needed in the public call centre during the election period averaged 25 or less, 57 licences were leased. In addition, while Elections Ontario leased the ICE licences for 24 months, the call centres only operated for approximately two months—for the target registration project and for the general election. In March 2004, when the lease for the 115 agent licences and three supervisor licences expired, Elections Ontario purchased 64 licences and related equipment at a cost of \$200,000 and a monthly maintenance fee of \$2,000. We understand that one reason for making the purchases at that time was to ensure that the call centre would be available to provide services, for a fee, to Elections Canada for the 2004 federal election. In June 2004, an additional nine licences were purchased at a cost of \$11,500 to meet the demand for the federal election.

In early 2005, Elections Ontario prepared a Call Centre Business Case, indicating that based on 139,000 calls and total costs of \$353,000, the cost per call to the public call centre for the 2003

election was \$2.54. However, these costs did not include any phone line charges, ICE licence charges, toll charges, or mega-link costs. Had these costs, as well as the costs for equipping and operating the call centres, been included and pro-rated based on the percentage of total calls made to the public call centre, the cost per call would have been \$5.55.

Elections Ontario leased the ICE licences to manage call volumes and to obtain performance statistics relating to, for example, call duration, number of calls per agent, and number of calls in queue. While over \$400,000 was paid for the ICE system and licences, the statistics provided by the ICE system had not yet been analyzed to determine how many staff are needed at particular times and how staff can best be utilized to handle specific call volumes.

RECOMMENDATION

To help minimize the cost of providing call-centre services for future elections, Elections Ontario should:

- assess other alternatives for meeting call-centre needs; and
- conduct a more thorough analysis of the number of staff and related software licences required if Elections Ontario continues to operate its own call centres.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

In developing its call-centre capacity in 2002, Elections Ontario was supporting a new set of communication demands for its business with only limited knowledge of the extent of the demands, based on the experiences of our federal and municipal colleagues. In addition, through a series of pilot projects from late 2002 to the present, we have confirmed the value of the call centre as an important tool in the man-

agement of the Permanent Register and other activities between electoral events.

The 2003 electoral-event benchmarks are in place, and the demands on the call-centre capacity from our activities between elections and in support of our sister agencies are better understood. Elections Ontario will now conduct a review of its call-centre licence and staffing structures and will re-evaluate approaches to the delivery of call-centre support in the context of electoral activity.

LEASE OF COMPUTER EQUIPMENT

In December 2002, Elections Ontario leased computer equipment to be available for the next provincial election for a 49-month term at a total cost of approximately \$4.44 million. The agreement could be extended for two additional 12-month periods, or the computers could be purchased for \$138,000 at the end of the 49-month term. The equipment that was leased consisted of:

- 1,130 personal computers;
- 120 laptop computers;
- 107 servers; and
- 332 printers.

Electoral events are delivered through returning officers appointed for each electoral district. There are currently 103 electoral districts in Ontario. The vast majority of the equipment was to be used by the 103 returning offices—Elections Ontario determined that each of the 103 returning offices would have 10 personal computers (totalling 1,030) with an appropriate number of supporting servers and printers.

The returning offices utilized this computer equipment for only specific short-term periods: for approximately two months beginning in March 2003 for the target registration project and for approximately six weeks beginning in September 2003 for the provincial election. Since that time,

most of the leased computer equipment, except for some laptops and some personal computers and servers allocated to head office, has been in storage.

Under the lease, Elections Ontario must pay to deploy each piece of equipment to a returning office. For the March 2003 deployment, 1,339 pieces of computer equipment were deployed to 103 offices at a cost of \$750,000. We noted that the full complement of 10 computers per office was included in this deployment, even though Elections Ontario was expecting to hire only five staff at each office for the registration project. That is, the project required a total of only approximately 500 personal computers. This resulted in Elections Ontario incurring \$190,000 in deployment costs for computers not used for target registration.

We understand that, at the time of the target registration project, Elections Ontario was speculating that an election might be called soon. When it was not, the equipment was warehoused in local Canada Post locations. In September 2003, the election was called, and all of the equipment was redeployed to the returning offices at a cost of \$440,000, versus the \$750,000 cost that would have been incurred if the equipment had been returned to the supplier for storage and future deployment. After the election, the computer equipment was returned to the lease provider's warehouse for storage, with monthly lease costs of \$90,600 continuing to be paid each month.

We inquired whether a business case was developed that considered options other than the leasing of equipment. No business case was provided to us. We note that, in another Canadian jurisdiction, the election office has shared the purchase costs of its computer equipment with a provincial ministry that would own the equipment after the election was over. We recognize that this jurisdiction's population is significantly smaller than Ontario's. However, this approach demonstrates that there may be innovative ways to meet cyclical business needs of this nature.

We were informed that Elections Ontario had expected that it would sublease its computers to other users, thus recouping some of the amount it paid. Elections Ontario did sublease some equipment to Elections Canada for the 2004 federal election: 125 computers for six months, 50 computers for five months, and 55 computers for three months. Total revenue generated was \$88,000. Currently, a similar number of computers have been leased to Elections Canada for election readiness.

In 2004, the government introduced legislation that, if passed, would make "election day in this province the first Thursday in October, every four years, starting in 2007." The Premier stated that this would also assist Elections Ontario "so it can plan efficiently for upcoming elections."

RECOMMENDATION

Elections Ontario should use the time before the next election to examine whether there are more cost-effective means of equipping returning offices with computer equipment for the one-to-two-month period involved.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Elections Ontario will prepare a business case to identify the most cost-effective means of equipping returning offices with computer equipment. This analysis will give appropriate consideration to providing for the time-limited preparation, conditioning, application imaging, packing, distribution, set-up, testing, on-site service and maintenance, disassembly, and recovery of the equipment, together with confidential data purging. The business case will also take into consideration the anticipated timing of the next election, register maintenance activity, and demands relating to deployment of election management systems.

HOSPITALITY, TRAVEL, AND OTHER EXPENSES

Hospitality and Travel Expenses

Elections Ontario does not have its own policies for hospitality and travel expenses. We therefore used the policies in Management Board of Cabinet's *Travel, Meal and Hospitality Expenses Directive* (Directive) as a benchmark against which to judge the reasonableness of hospitality expenses incurred by Elections Ontario. For hospitality, the Directive includes the following stipulations:

Hospitality is the provision of food, beverages, accommodation, transportation or other amenities at public expense to persons who are not engaged in work for the Ontario government. Hospitality should be extended in an economical, consistent, and appropriate way when it will facilitate government business or is considered desirable as a matter of courtesy.

The number of government representatives should be limited to those necessary for the function and should be kept to a minimum.

We reviewed a sample of expenditures incurred for hospitality and noted instances where:

- the expenditures appeared to be in excess of what one would consider reasonable;
- the number of attendees who were employees or representatives of Elections Ontario appeared excessive and was not kept to a minimum as required by the Directive; and
- detailed receipts were not provided.

For instance, in March 2005, Elections Ontario hosted a dinner for two elections officials from another country. Four representatives from Elections Ontario, two of whom brought their spouses, attended the dinner. The total cost was \$1,162, or approximately \$145 per person. We questioned the need for six individuals associated with Elections

Ontario to attend a dinner for only two visitors and whether expenses of \$145 per person were excessive.

With respect to travel and other related expenses, the Management Board of Cabinet's directives require that employees make the most practical and economical arrangements for travel and other related activities.

We also reviewed a sample of claims and payments for travel expenses incurred by Elections Ontario employees and found a number of instances where expenditures did not always demonstrate due regard for economy.

RECOMMENDATION

To ensure that the hospitality and travel expenditures incurred by Elections Ontario are reasonable and appropriate, Elections Ontario should adopt hospitality and travel expense policies consistent with Management Board of Cabinet directives and ensure that expenses are in compliance with such policies.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Since 2004, Elections Ontario has been developing its own policy framework, which includes hospitality expenses, and has put in place management structures that permit closer monitoring of compliance with all policies. Elections Ontario believes that the policies, which are currently nearing completion and which have considered the Management Board of Cabinet policy documents, will address the concerns that the Auditor General has identified.

The introduction and implementation of the new Elections Ontario travel expense policy will prevent future problems in this area.

Other Expenses

We noted during our audit that a number of expenditures were related to “team-building events” for staff. We understand that each division at Elections Ontario is expected to have team-building sessions with its staff twice a year, allowing spending of up to \$100 per person for each event. We found a number of instances where these events involved sporting or other recreational activities.

RECOMMENDATION

To help ensure that taxpayer funds are used prudently, Elections Ontario should reconsider sponsoring staff team-building events that involve sporting or recreational activities.

OFFICE RESPONSE

Elections Ontario accepts and will abide by the recommendation.

OTHER MATTER

Summer Help

In December 2002, Elections Ontario received approval from the Board of Internal Economy to increase its staff complement from 19 to 61. We noticed during our audit that, especially given the significantly increased permanent staff complement, the number of summer students hired by Elections Ontario in 2004 and 2005 appeared unusually high—particularly since the next election may not be held until October 2007. Specifically, 22 summer students were hired in 2004 (at a rate of \$14.26 per hour), and, in 2005, 19 summer students (at a rate of \$14.54 per hour) and eight co-op students were hired. We were advised that the hourly rates were based on the rates paid to summer students by the Office of the Assembly.

In 2004, Elections Ontario posted a job advertisement for summer student positions on a university’s website. However, the 2005 summer positions were not advertised.

We found from our review of available documentation that at least 10 (that is, over 50%) of the 19 students hired for 2005 summer positions were either children of or otherwise related to Elections Ontario employees. In 2004, at least seven of the 22 summer students hired by Elections Ontario were either children of or otherwise related to Elections Ontario employees.

RECOMMENDATION

To ensure that staff are being utilized as productively as possible, Elections Ontario should conduct a formal assessment of workload, especially during the summer months, to confirm that there are no alternatives to hiring 20 summer students. In addition, if students are needed to supplement staff during the summer, Elections Ontario should ensure that the hiring process for students is more open and competitive.

OFFICE RESPONSE

Elections Ontario accepts the recommendation.

Elections Ontario appreciates that there should be a clear justification for hiring summer students. All project plans that call for summer student employment will be carefully developed and reviewed within the Elections Ontario policy-and-planning framework, pay structures will reflect job responsibilities, and summer projects will be closely managed to ensure the highest levels of productivity.

The openness and competitiveness of the hiring process will be given full consideration in any future summer student hiring activity.