

Community Accommodation Program

Background

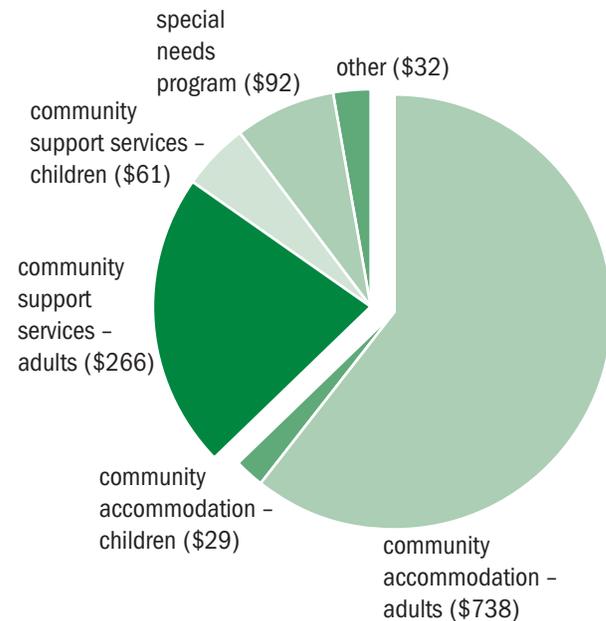
The Developmental Services program of the Ministry of Community and Social Services (Ministry) funds community-based transfer-payment agencies that provide a broad range of services and supports for both adults and children with a developmental disability. For 2006/07, expenditures on the significant components of this program were approximately \$1.2 billion, the largest part of which went to Community Accommodation services, as detailed in Figure 1.

Under the Community Accommodation program, residential accommodation and support services are available to both children and adults with a developmental disability as defined in the *Developmental Services Act*; program requirements for children are specified in the *Child and Family Services Act*. However, access to residential services is limited by the availability of spaces, which are primarily dependent on ministry funding.

Residential placements are based on the assessed needs of the individual, and they range from relatively independent living arrangements in apartment-like settings with regular agency support to intensive 24-hour-a-day, seven-day-a-week care in group homes that typically house three to

Figure 1: Major Components of the Developmental Services Program, 2006/07 (\$ million)

Source of data: Ministry of Community and Social Services



six individuals. As well, as of March 31, 2007, the Ministry still had approximately 520 individuals in provincially operated facilities, who it anticipates will be placed in community settings over the next few years.

The Ministry enters into an annual funding and service contract with each of the approximately 370 local not-for-profit developmental service agencies

that deliver community accommodation services. The Ministry generally funds 100% of the cost of these services through transfer payments to these agencies less any amounts paid by individuals in receipt of Ontario Disability Support Program benefits or other income or, in the case of children, less contributions made by their parents. The agencies themselves are governed by independent volunteer boards of directors that are responsible for overseeing the day-to-day services provided by each agency and are ultimately accountable to the Ministry for providing quality services that represent value for money spent.

The Ministry's expenditures on the Community Accommodation program have more than doubled since the time of our last audit in 1999, as detailed in Figure 2. As of March 31, 2007, expenditures on the Community Accommodation program amounted to approximately \$767 million, the largest portion of which related to expenditures on adult group home accommodations, as detailed in Figure 3.

Audit Objective and Scope

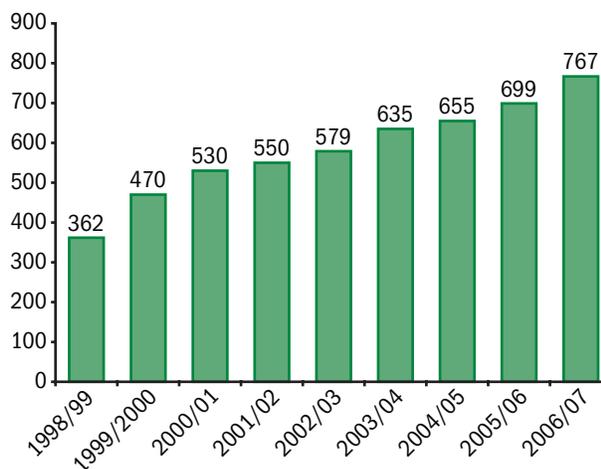
Our audit objective was to assess whether the Ministry's policies and procedures were adequate to ensure that:

- transfer payments to agencies were satisfactorily controlled and commensurate with the level and value of services provided; and
- Community Accommodation services were provided in compliance with legislative requirements and program policies and procedures.

The scope of our audit included a review and analysis of relevant files and administrative procedures, as well as interviews with staff at

Figure 2: Community Accommodation Program Expenditures, 1998/99–2006/07 (\$ million)

Source of data: Ministry of Community and Social Services



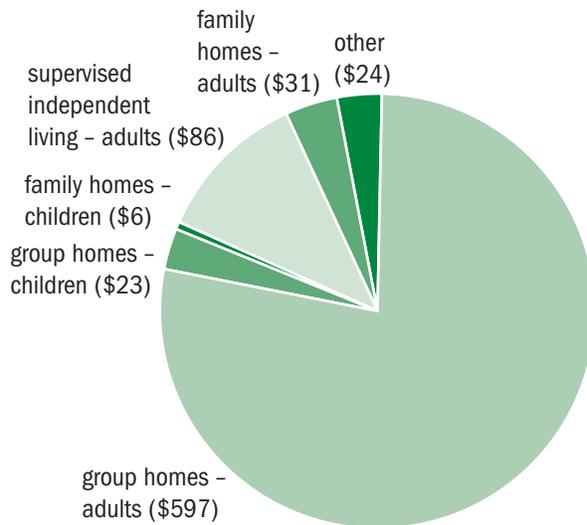
the Ministry's head office and at three regional offices that accounted for about one-third of total program expenditures. We also visited and obtained information from six transfer-payment agencies that are funded by the Ministry under this program, as well as four access centres that are responsible for screening applicants for services and referring eligible individuals to the appropriate service provider as vacancies arise. In addition, we held discussions with senior representatives from two provincial associations that represent a large number of developmental service agencies across the province.

Before commencing our audit, we identified the criteria that would be used to address our audit objectives. These were reviewed with senior ministry management, who agreed with them.

Our audit also included a review of a number of audit reports issued by the Ministry's internal audit services during the last three years. These audits identified a number of issues and made observations that, in some instances, corroborated our own findings.

Figure 3: Community Accommodation Program Expenditures, 2006/07 (\$ million)

Source of data: Ministry of Community and Social Services



Summary

A number of the observations and findings in this report are similar to those outlined in our *1999 Annual Report*. Disparities in funding across the province and between clients, the practice of housing some clients in high-cost accommodations, inadequate access to specialized services, and a lack of complete and accurate data about the program challenge the program's fairness, accessibility, and sustainability, notwithstanding the significant increase in expenditures over the last eight years. The Ministry acknowledges that the Community Accommodation program still faces severe pressures and challenges, and it has undertaken extensive consultations over the past two years with individuals, families, service providers, and provincial organizations. As a result, the Ministry expects to make a number of changes to the current system of developmental services and support. Given the extent and complexity of the changes proposed, however, it will take some time before the benefits of the Ministry's transformation agenda are fully realized.

Although the Ministry has prepared a resource document entitled *Consider This!* to help the boards of directors of its transfer-payment agencies fulfill the requirements of its mandatory governance and accountability frameworks, it had not been the Ministry's intention to follow up to see that the requirements have been implemented. Doing so, as well as strengthening monitoring and oversight procedures at the regional level, will be necessary before the Ministry has adequate assurance that the funds given to its transfer-payment agencies are spent prudently and that they are commensurate with the level and value of services provided. Our observations with respect to the Ministry's funding of its transfer-payment agencies are as follows.

- For many years, agency funding has been primarily historically based rather than needs-based, a practice which exacerbates funding inequalities. Budget submissions still lack sufficiently detailed information for making informed funding decisions, as noted in our last audit, and there is still little evidence that budget submissions have been reviewed and assessed for reasonableness. Many agencies did not receive their final approved budget until long after the fiscal year had ended.
- The annual budgeting process left the Ministry without the ability to monitor or compare information, such as the average cost of spaces and services within a home. Costs at the agencies we visited ranged from \$30,000 to more than \$200,000 per person per year, according to our calculations. The Ministry was unaware of these cost differences and was unable to demonstrate that they were reasonable and justified.
- The requirements of the Ministry's quarterly reporting process and annual program-expenditure reconciliation process were not adhered to, with the result that these processes were ineffective and appeared to serve little useful purpose.

- Amounts paid to service providers for the placement of individuals under the Facilities Initiative varied from the expected average cost assumptions by as much as 200%. Although a certain amount of variance is expected, the Ministry was unable to demonstrate how the amount of funding provided was determined, and significant variances from the expected average costs were not explained.
- The Ministry lacked the necessary procedures and expertise to ensure that it is receiving value for money for the capital projects it funds. Some of the costs incurred were excessive. In one instance, it paid renovation costs of \$380,000 on a bungalow that had been purchased for \$390,000, without assessing the need for and reasonableness of the renovations and receiving a proper accounting of the costs.
- The Ministry did not require that, and did not know whether, agency staff had the required competencies in such areas as purchasing, payroll, and accounting, or whether agency staff followed good operating practices such as adequate segregation of duties and other good internal controls.

With respect to ensuring that services were provided in compliance with legislative requirements and program policies and procedures, we found the following:

- There was often little documentation to support a determination of developmental disability or to demonstrate that the placement of an individual was appropriate and cost-effective.
- We noted a number of instances in which existing beds remained vacant for six to 12 months. Under the Ministry's current funding mechanism, which pays equally for vacant and occupied beds, the agencies have little financial incentive to fill vacant beds. At the same time that beds in some agencies

remained vacant for extended periods, those agencies' access centres had lengthy waiting lists for accommodations.

- The Ministry could not demonstrate that the required number of compliance reviews for adult group homes were conducted. The compliance reviews completed were ineffective, in our view, and could not be relied on for assessing program delivery or monitoring the protection of vulnerable people in care.
- Procedures for reporting serious occurrences and dealing with complaints did not ensure that they were dealt with fairly and were satisfactorily resolved.

We sent this report to the Ministry and invited it to provide a response. We reproduce its overall response below. As for its responses to individual recommendations, the Ministry provided either a separate response per recommendation or a combined response to two or more recommendations. Those responses follow the relevant recommendations in Detailed Audit Observations.

OVERALL MINISTRY RESPONSE

The Ministry welcomes the Auditor General's observations and recommendations. Since the Spring 2004 Budget, in which the government announced its intention to transform the delivery of supports for people who have a developmental disability in Ontario, the Ministry has undertaken significant consultations and has developed an action plan to create an accessible, fair, and sustainable system of community-based supports. Many of the planned improvements associated with the transformation—such as the establishment of clear eligibility criteria, the introduction of standardized access processes and assessment tools, and the introduction of quality assurance measures—are strongly aligned with the Auditor General's recommendations.

The full realization of these improvements will take place over the next three to five years as the transformation is implemented.

Detailed Audit Observations

The Ministry of Community and Social Services (Ministry) acknowledges that the Community Accommodation program still faces severe pressures and challenges, which it intends its transformation agenda, referred to earlier, to address. For example, it points out that many individuals with developmental disabilities are living longer than ever before, and often live at home with aging parents or other caregivers, putting pressure on waiting lists for service. The Ministry also notes that the existence of multiple entry points to services and of inconsistent assessment standards for clients adds to the problems.

Under the Ministry's transformation agenda, extensive consultations have taken place over the past two years with individuals, families, service providers, and provincial organizations. The consultation strategy was intended to stimulate broad public discussion, propose wide-ranging changes, and provide guidance on how to implement them. Changes the Ministry anticipates making to the current system of developmental services and supports, or which are already being piloted, include:

- better eligibility determinations and assessments of individuals' needs;
- a common province-wide application process;
- streamlined access to available supports;
- direct funding for services to individuals or their families; and
- help to families in planning independently for support and in setting priorities based on individual goals.

AGENCY GOVERNANCE AND ACCOUNTABILITY

The Ministry deliberately does not involve itself in the day-to-day operations of agencies that receive transfer payments. Instead, its approach to agency governance and accountability tries to balance the need for transfer-payment agencies to be reasonably autonomous in carrying out their day-to-day responsibilities with the requirement that the agencies be accountable to the Ministry for the prudent use of public funds.

For this approach to be effective, the Ministry needs to be assured that the governance and accountability structures in place provide assurance that funds are spent prudently for the intended purpose, and that services provided are in compliance with program requirements.

Partly as a result of findings and recommendations made by our office in this area in previous years, both the Management Board Secretariat and the Ministry of Community and Social Services have established mandatory governance and accountability frameworks for transfer-payment recipients. The specific requirements of these frameworks fall under four broad areas:

- establishing meaningful and measurable results to be achieved with public funds;
- entering into written agreements that, for example, bind recipients to achieve the expected results and, as a condition of funding, require them to have in place the governance and administrative structures and processes necessary to ensure prudent and effective management of public funds;
- having ministry program managers obtain and review information about transfer-payment recipients' performance on a timely basis; and
- taking timely corrective action when necessary.

In 2004, the Ministry prepared for the boards of directors of its transfer-payment agencies a resource

document, entitled *Consider This!* that expands on these requirements and reinforces their importance. The purpose of this document was to assist the boards of directors in fulfilling the requirements of the governance and accountability frameworks. However, the Ministry did not follow up to ensure that the requirements were fulfilled.

On the basis of our findings in this report, as well as discussions with staff of transfer-payment agencies and the Ministry, we believe that oversight procedures are still not adequate to ensure that funds are spent prudently for the intended purpose and that services provided are in compliance with program requirements. We also made these specific findings:

- The Ministry did not require that, and did not know whether, the boards of directors of its transfer-payment agencies had the required competencies or expertise to discharge their responsibilities effectively. Our own review of board competencies often found a lack of legal and financial expertise.
- The Ministry did not require that, and did not know whether, agency boards had ensured that their staff had the required competencies in such areas as purchasing, payroll, and accounting, or whether staff followed good operating practices such as adequate segregation of duties and other good internal controls.

The Ministry's internal audit services performed an audit in this area in 2006, which corroborated many of our own findings. Its report concluded that the Ministry must improve its oversight processes in order to demonstrate good governance and accountability to stakeholders and help ensure that money is spent prudently.

RECOMMENDATION 1

To help ensure that transfer payments to agencies represent value for money spent and that

services provided are effective and in accordance with program requirements, the Ministry of Community and Social Services and its transfer-payment agencies should adhere to the mandatory governance and accountability frameworks.

MINISTRY RESPONSE

The Ministry is committed to supporting the boards of directors of agencies that deliver developmental services. In 2006, the Ministry contracted with a provincial association representing many agencies delivering developmental services to develop an on-line training tool for boards of directors. The tool has been available since May 2006 and provides an overview of board governance, including board members' roles and responsibilities. The tool is a best practice in board governance and accountability that assists boards of directors in meeting their existing obligations as outlined in their service agreements with the Ministry.

TRANSFER PAYMENT CONTROLS

Budget Submissions and Annual Service Contracts

The Ministry enters into an annual funding and service contract with each of its transfer-payment agencies for the provision of community accommodation and related services and supports. The process and timing of the various steps leading up to the approved annual service contract are as follows:

- The Ministry's regional office provides each agency with a budget submission package shortly before the start of the fiscal year.
- Agencies are expected to return the completed budget submission package to the Ministry's

regional office by March 31, the last day of the previous fiscal year.

- The Ministry is to review the budget submission and provide the agency with an approved preliminary service contract, which would normally be expected to include annual funding increases, by June 30, three months into the fiscal year.
- An approved final service contract, including the approved annualized expenditure budget and in-year enhancements for one-time initiatives, is to be provided to the agency by March 31, the last day of the fiscal year.

We found that the process leading up to the agencies' approved annual service contracts was not timely and was not effective in meeting the intended objectives of ensuring that the amount of funding ultimately approved for each agency is reasonable and based on assessed needs. In particular:

- Although agencies have some discretion in budgeting for the type of costs they expect to incur, the Ministry's instructions are that the total amount of the budget submission cannot be higher than the previous year's annualized funded amount.
- Many budget submissions were received long after their due dates, in some cases as late as four to six months into the fiscal year.
- Budget submissions lacked sufficiently detailed information, such as meaningful data on services to be provided, for making informed funding decisions. In most cases, there was no documentation to substantiate that the submissions received had been reviewed or otherwise analyzed, even though, in response to our 1999 audit of the Community Accommodation program, the Ministry developed a transfer-payment checklist that itemizes the key elements of the budget submission, review, and approval process. Although it intended to implement the checklist during the 2001/02 fiscal year, we found

many cases where there was no evidence that it was being used.

- For the last several years, approved preliminary service contracts have not been based on an assessment of the budget requests made by agencies, but rather on across-the-board percentage increases from the previous year's annualized budget. These increases ranged from 0.5% to 2% per year. We also noted that approved preliminary service contracts were often provided to agencies long after their June 30 due date, in some cases up to six months late.
- Many agencies did not receive their approved final service contract, including their approved annual budget, until long after the fiscal year had ended.

We also noted that, in recent years, agencies have not received annual funding increases consistent with the increased cost of their ongoing base programs through the annual budget submission, review, and approval process. Instead, most annual funding increases to agencies resulted from new in-year ministry initiatives that were completely separate from the annual budgeting process. For example, for the past two fiscal years, the Ministry has granted approximately \$70 million per year in new in-year funding to agencies for initiatives such as moving existing residents of ministry-operated facilities into the community or creating new spaces to alleviate pressures on the service system.

In most cases, community planning tables, which are made up primarily of representatives from local social service agencies, select individual agencies to provide these new spaces. Agencies then prepare a budget request for the new space that they have been selected to provide. This process is problematic, in our view, as it does not ensure that services are acquired competitively and that value for money is received. Examples of placements where ministry funding varied significantly and appeared to differ greatly from the expected

average costs appear in our section on the Facilities Initiative.

Because agencies submit only incremental budget requests for new spaces and one consolidated annual budget request for all the existing spaces they operate and services they provide, the Ministry cannot and does not track the average cost of individual spaces and services provided within a particular home. Our calculation of the cost of spaces at individual homes for a sample of agencies visited found that the cost of these spaces varied significantly, from a low of \$30,000 to a high of more than \$200,000 per year. The Ministry was not aware of this range, and although such a difference in costs may be justifiable, the Ministry could not demonstrate that this was the case.

We also note that, in response to a recommendation in our 1997 audit report on the accountability and governance of transfer-payment agencies, the Ministry indicated that it planned to establish provincial funding benchmarks for all residential care programs based on the level of support required by individuals in their care. This has not yet been done.

Quarterly Reports

To help hold agencies accountable for expenditures and service delivery during the year, the Ministry requires them to submit quarterly reports comparing budgeted to actual expenditures and year-end expenditure forecasts, and comparing budgeted to actual service data, such as the number of individuals served. Agencies are required to provide explanations for significant variances from budgeted financial and service data and to indicate what actions they will take to address such variances. The first three quarterly reports are due 30 days after the end of the quarter, and the fourth is due 45 days after year-end.

Although the quarterly reporting process could be useful, we found that it was not effectively implemented, to the point where it now serves little use-

ful purpose. Our findings are based on the following facts:

- Agency staff expressed the opinion that quarterly reports submitted to the Ministry are seldom reviewed. As a result, the agencies say, they make little effort to ensure that reported expenditure and service data are complete and accurate.
- Even when significant variances were reported, the reasons for them in most cases were not given or requested by the Ministry, and the required action plans to address the variances were not provided.
- In most cases, there was no evidence that the Ministry reviewed the quarterly reports and followed up with agencies to ensure that necessary corrective action was taken.
- Most quarterly reports were received long after their due date.

From the agencies' perspective, all this paperwork is not a productive use of resources, since it has little impact on ministry funding or agency oversight.

Annual Program Expenditure Reconciliation

The primary purpose of the Annual Program Expenditure Reconciliation (APER) process is to reconcile a program's expenditures with its approved budget in order to identify any inappropriate or ineligible expenditures and any surpluses to be recovered by the Ministry. The APER form is to be submitted together with an agency's audited financial statement no later than four months after the end of the fiscal year. When operating surpluses or deficits arising from the ministry-funded program are not apparent from the financial statements themselves, the audited financial statement is to include a note disclosure identifying these.

Although the Ministry improved the APER process for the 2005/06 fiscal year by requiring

additional detailed expenditure information, largely in response to our recommendations in prior years, the APER process is still not effective in meeting its intended purpose for the following reasons:

- A number of agencies have established related corporations that provide such things as residential or office accommodations or management services. We found that, in some cases, ministry-funded agencies transferred amounts to such related corporations and recorded the transfer as an expenditure in both the APER form and the financial statement, without any evidence that the amounts transferred were reasonable or the underlying services had been received.
- In most cases, APER forms and accompanying financial statements lacked sufficient detail or the note disclosure necessary to identify inappropriate or ineligible expenditures and to permit the reconciliation of the audited financial statement with the APER-reported expenditures. Thus the Ministry did not have independent assurance as to the accuracy of the program surplus or deficit reported by the APER process.
- In many cases there was little or no documented evidence that ministry staff had reviewed and assessed the information detailed in the APER forms. For example, some regional office staff advised us that they only compared an agency's total approved budget to the total expenditure reported in its APER statement. This comparison would provide little if any useful information.
- Most APER forms were received long after their due date. Some were received almost a year late.

Staff Qualification and Training

To implement more effective financial accountability processes for transfer payments made to service

delivery agencies, the Ministry requires a sufficient number of staff with an appropriate level of training and expertise in financial analysis. Although program expenditures have more than doubled since the time of our last audit in 1999 and funding arrangements with agencies have become much more complex, we were advised that the number of regional office staff, including program supervisors, has remained essentially the same and in some cases has decreased. We found that many program supervisors did not have the necessary financial training and expertise to discharge effectively their responsibility to review and approve financial submissions from their service providers.

As a result, some program supervisors indicated that they were not comfortable with the financial analysis requirements of their job. Although program supervisors do have access to the finance staff of their regional offices, in practice that expertise was often not used effectively.

Similar issues were reported by the Ministry's internal audit services in its March 2006 audit of transfer-payment accountability and governance.

RECOMMENDATION 2

To ensure that funding provided to service-delivery agencies is based on assessed needs and is commensurate with the value of the services provided, and to implement more effective financial accountability in transfer payments to agencies, the Ministry of Community and Social Services should:

- reassess the objectives of its annual agency budget submission, review, and approval process, and design a meaningful process that it can adhere to;
- either implement its current quarterly reporting process effectively or design and implement a revised process that it can adhere to and that will enable regional staff to monitor in-year agency expenditures and

service levels effectively, possibly screening agencies on a few critical indicators;

- assess whether its current APER process as implemented meets its objectives and, if it does not, design a more practical means of overseeing agency expenditures; and
- assess the level of financial expertise required in regional offices, and determine the number of staff with this expertise that it requires and the best way of acquiring this expertise.

MINISTRY RESPONSE

In August 2007, the Ministry announced the re-organization of the corporate offices of its Program Management Division. The re-organization is intended to address the need for enhanced accountability and transparency for the programs and services that are funded, delivered, and/or managed by the Ministry.

The re-organization will enhance ministry capacity to implement the revised Transfer Payment Accountability Directive (released in the summer of 2007 by the Ministry of Government Services).

As part of the work required to implement the new directive, the Ministry is reviewing the timelines, information exchanges, and other relevant processes related to the Transfer Payment Business Cycle to ensure that its requirements are both appropriate and achievable. This review will result in a multi-year plan for business process improvement. A first priority for this project is the review and revision of the business process and tools used for the annual program-expenditure reconciliation.

The Ministry will develop a comprehensive training strategy to ensure that ministry and agency staff have the knowledge and skills needed to use the new processes and tools.

Facilities Initiative

The Ministry has had a long-standing goal of reducing the number of people living in large institutions. We understand that since 1977 the Ministry has closed 13 such facilities and moved approximately 6,000 people out of them into the community. As part of its current transformation agenda, the government has made a commitment to close the last three provincially operated facilities by March 31, 2009. As a result of that commitment, the Ministry has moved approximately 480 individuals from the provincially operated facilities into the community during the past two years; approximately 520 individuals remain in the facilities at an annual cost of over \$100 million in the 2006/07 fiscal year, which includes costs for downsizing the facilities' operations.

The Ministry assesses the level of support required by each person being moved out of a facility and assumes an expected average cost for each level of support, which includes both direct and indirect agency service costs, as indicated in Figure 4. In addition to the annualized operating funding, agencies may receive one-time assistance for start-up costs and capital funding for the transition, when necessary.

In practice, individuals (or their families) have considerable input as to where they will be moved, and they often ask to be placed in a community that is close to their family home. As noted previously, the local community planning table normally

Figure 4: Funding Cost Assumptions for Support of Persons Moving Out of Provincial Facilities

Source of data: Ministry of Community and Social Services

Level of Support Required	Ministry Assumed Average Annual Cost (\$)
moderate	60,000
high	80,000
complex	120,000

selects one agency to make a proposal to the Ministry for the care of the individual, including costs. While the amount the Ministry agrees to pay for any one individual may vary from the expected average cost assumption used by the Ministry, a region's total expenditures under this initiative are expected to approximate the total of all expected average cost amounts for all individuals placed in the region by the time the initiative winds up in March 2009.

Our review of a sample of placements of individuals under this initiative in the three regions we visited found that the actual costs agreed to often varied significantly from the Ministry's average cost assumptions, as illustrated in Figure 5.

Our review of a sample of approved requests for funding under this initiative, including those noted in Figure 5, resulted in the following observations:

- Most requests for funding did not contain a sufficiently detailed budget or other information indicating how the requested amount of funding was determined.
- In most cases, in spite of the fact that the amounts requested were significantly different from the expected cost amounts, there was no documentation to indicate that ministry staff had reviewed and assessed the reasonableness of the amount requested, and no indication of how it had determined the amount of funding ultimately approved.

Figure 5: Facilities Initiative Funding for a Sample of Individuals

Source of data: Ministry of Community and Social Services

	Initial Assessed Level of Support	Ministry Assumed Avg. Annual Cost (\$)	Actual Annual Cost (\$)
individual 1	moderate	60,000	180,000
individual 2	moderate	60,000	122,800
individual 3	high	80,000	150,000
individual 4	complex	120,000	75,000
individual 5	complex	120,000	300,000

- In some cases, the amount approved was significantly different from the amount requested, with no explanation of the difference.

As a result, we were unable to determine if or how the Ministry decided that the funding agreed to was reasonable and represented value for money spent.

RECOMMENDATION 3

In order to ensure that funding given to agencies for relocating persons from provincially operated facilities into community placements is reasonable and appropriate, the Ministry of Community and Social Services should:

- assess the merits of instituting a more competitive process instead of having community planning tables (committees consisting of representatives of local service agencies) nominate only one agency to submit a proposal for placing an individual in the community; and
- obtain sufficiently detailed budgetary or other information for assessing and documenting the reasonableness of the amount of funding requested where that amount differs significantly from the expected cost amount.

MINISTRY RESPONSE

The Ministry agrees that it is responsible for the fair and efficient allocation of resources. Community planning tables identify opportunities to leverage current services in the communities, establish partnerships across service providers, and build stability within the service sector. The Ministry will review and revise current planning approaches to ensure that service and funding decisions demonstrate value for money.

Oversight of Capital Projects

Under the Ministry's transformation agenda, agencies can apply for capital funding for such things as renovating existing facilities or purchasing new facilities to create new spaces. The Ministry expects to spend approximately \$125 million for all capital projects by the end of March 2009; of that amount \$56 million had been spent by the end of March 2007.

Our review of the Ministry's processes and procedures for approving funding for capital projects raised a number of significant concerns, leading us to question whether the Ministry is receiving value for money spent. Our concerns are best illustrated by the facts relating to one of the capital projects we reviewed. In July 2005, the Ministry provided initial approval to an agency to purchase a 2,200-square-foot, four-bedroom bungalow at a cost of \$390,000 and to incur renovation costs up to \$157,000 plus \$36,000 in professional fees. In that regard, we noted that:

- neither the agency nor the Ministry prepared a business case to demonstrate that alternatives had been considered and that the project represented the most cost-effective investment of public funds, as required under the Ministry's capital project guidelines; and
- regional staff did not review the condition of the home to ensure that only necessary renovation work was planned; neither the agency nor the Ministry could provide the necessary detailed information to demonstrate that the approved renovation costs of \$157,000 were reasonable.

The agency hired an architectural firm to oversee the renovation. The firm was not selected competitively and had little incentive to minimize cost, since its remuneration was based on a percentage of the total renovation cost.

The Ministry ultimately paid renovation costs of \$380,000, or almost two and one-half times the initial approved estimate. The Ministry did not have

the information necessary to assess the reasonableness of the increased renovation costs. On further inquiry, the agency could only provide us with a list of the types of expenditures to be incurred and the related total amount of estimated costs for each type of expenditure. Our review of the list noted a number of items whose nature was not clear or that appeared questionable or excessive in our view.

These included, for example:

- "allowances" of \$18,000;
- "profit" of \$20,000;
- "electrical" of \$45,000;
- "painting" of \$18,000;
- "labour" of \$32,680; and
- "front ramp, deck and landscaping" of \$32,000.

We understand that, after the renovation was complete, the Ministry also provided the agency with approximately \$60,000 to furnish this home without receiving an accounting of how this money was spent.

During our discussions with ministry staff responsible for overseeing this renovation, we were told that staff members had little or no training or experience in overseeing capital projects, including renovations of this type. We also noted that, at the completion of our fieldwork in March 2007, the Ministry's interest in the property had not been registered on title as required and there was no process in place to ensure that this would be done. Furthermore, the Ministry had granted the same agency that had undertaken this renovation its approval to spend almost \$500,000 to renovate another recently acquired bungalow.

We also noted that most agencies did not maintain a listing of physical assets such as furnishings and equipment acquired with ministry funds, as required by the regulations. At one agency where a list was maintained, we found that some assets on the list were missing, and one item that should have been on the list was not.

We were also advised that in July 2005 the Ministry issued Guidelines for Developing Infrastructure Projects. These provide specific directions on processes for the development and implementation of capital projects, including the preparation of business cases, execution of legal agreements, and policies related to the use of a competitive tendering process.

RECOMMENDATION 4

In order to be able to demonstrate that capital funding provided to agencies is both necessary and reasonable and creates as many spaces as possible, the Ministry of Community and Social Services should:

- ensure that all existing requirements in its Guidelines for Developing Infrastructure are complied with, including the requirement to prepare a business case that demonstrates that alternatives were considered and that the most cost-effective alternative was selected;
- obtain the necessary expertise (by engaging an external expert if necessary) and sufficiently detailed information for all proposed projects to be able to assess the need for, and reasonableness of, the costs to be incurred; and
- obtain a final accounting of the costs incurred.

MINISTRY RESPONSE

The Ministry agrees that capital projects must be managed prudently to ensure value for money. In April 2005, the Ministry established the Capital and Accommodation Services Branch to support regional offices in the delivery of capital projects. In July 2005, the Ministry issued Guidelines for Developing Infrastructure Projects, which provides specific direction on processes for developing and implementing

capital projects, including the preparation of business cases, execution of legal agreements, and policies related to the use of a competitive tendering process. In the fall of 2007, the guidelines will be updated and additional tools will be developed and provided to regional staff and transfer-payment agencies to assist in the better management of capital projects. In addition, a database has been developed for tracking the condition of the capital asset portfolio for better planning and management.

The Ministry's Capital and Accommodation Services Branch is hiring four additional specialists to assist regional offices and ensure that they have adequate oversight mechanisms for the execution and registration of capital agreements.

The Ministry is taking steps to ensure that all completed capital projects are fully documented and that there is a full accounting for all capital costs.

Agency Purchasing Policies and Procedures

Although not specifically required in their annual funding and service contracts with the Ministry, transfer-payment agencies are expected to follow good business practices, similar to those prescribed for the Ministry itself. However, our review of business practices at the agencies we visited, and a limited sample of expenditures, identified a number of concerns, including the following:

- Some agencies did not have written policies and procedures for such things as purchasing goods and services and reviewing and approving suppliers' invoices for payment. Other agencies that had such procedures did not comply with them. For example, we noted a number of instances where:

- goods and services that should have been acquired competitively were not;
- the same person who initiated the purchase of goods and services certified their receipt and approved the invoice for payment;
- amounts were paid without a purchase order having been issued or an invoice having been received; and
- some senior managers approved their own expense claims.
- A few expenditures were questionable, in our view, including a payment of \$5,350 for a speaker at an agency staff-appreciation night, and registration fees totalling \$8,900 for three people to attend a facilitator workshop in North Carolina.

RECOMMENDATION 5

To help ensure that agency expenditures are reasonable and represent value for money spent, the Ministry of Community and Social Services should confirm that agency boards of directors ensure adherence to good business practices, including written policies and procedures for such things as purchasing goods and services and processing invoices for payment.

MINISTRY RESPONSE

The Ministry is committed to supporting boards of directors to implement sound policies and procedures. To this end, the Ministry will issue required procurement guidelines as part of its 2008/09 budget package.

OVERSIGHT OF PROGRAM SERVICE DELIVERY

Access to Services

In order to provide one-window access to a broad range of developmental social services and improve

the co-ordination of its services, the Ministry has established a number of access centres across the province. An access centre can be either a separate agency that is directly funded by the Ministry or a centre jointly operated by local developmental services agencies.

Access centres are responsible for:

- receiving requests for services and assessing the eligibility of clients for available developmental services;
- triaging requests for service to ensure that those individuals most in need receive priority consideration, and referring clients to available services that best meet their needs;
- maintaining waiting lists of clients who have not yet been referred to service providers, and performing a quasi-case-management function until these clients are successfully placed; and
- liaising with local social service agencies and planning tables, and co-ordinating service planning in their area.

Our review of available documentation and discussions with staff at access centres and agencies noted a number of concerns with respect to the process by which individuals access community accommodation services:

- The Ministry has provided no specific directions or guidelines to access centres with respect to making determinations of developmental disability. Consequently, access centres have considerable discretion in making such determinations and deciding who is eligible for services under the Community Accommodation program. As a result, we found little consistency in the way in which determinations of developmental disability were made; in many cases, there was little or no documentation on file to support the eligibility determination.
- In most cases, there was no documentation on file to demonstrate that the referral and

placement of an individual was appropriate and cost-effective in the circumstances. We understand that, in many cases, referrals to and placements in a particular home are made at the request of the individual or family members, and that either the client or the agency can refuse a proposed placement.

- We noted a number of instances in which existing beds remained vacant for extended periods of time, often ranging between six and 12 months. In that regard, we also noted that under the Ministry's current funding mechanism for transfer-payment agencies, which pays equally for vacant and occupied beds, the agencies have little incentive to fill vacant beds, and in fact can use these vacancies to alleviate some of their cost pressures.
- At the same time that beds in some agencies remained vacant for extended periods, those agencies' access centres had lengthy waiting lists for accommodations. Information about waiting lists and vacant beds was not communicated to the Ministry to be considered in future service planning and annual funding decisions.

RECOMMENDATION 6

To help ensure that all individuals with a developmental disability are treated consistently across the province and that program placements are appropriate and economical, the Ministry should:

- consider providing access centres with guidelines to encourage consistent placement decisions across the province;
- ensure that access centres maintain the necessary documentation to demonstrate that developmental disability determinations are made consistently and that residential placements are appropriate and economical;
- ensure that all vacancies are filled as quickly as possible; and

- obtain information about waiting lists and vacant beds for use in its service planning process and take this information into consideration when making annual funding decisions.

MINISTRY RESPONSE

Through the transformation of developmental services, the Ministry will establish a common assessment process that will, among other things, document each individual's support needs in order to match them with appropriate residential placements.

The Ministry agrees that clients should be matched on a timely basis to vacancies that meet their needs. The Ministry will require that agencies, as a condition of their service contracts, report all vacancies to the Ministry and the local access centre on a quarterly basis. Access centres will be required to report on all vacancies filled and explain vacancies that have not been filled within each quarter.

Program Compliance Reviews and Licensing Inspections

Under provisions of the *Child and Family Services Act*, the Ministry is required to conduct an annual licensing inspection and issue an annual operating licence for each group home that houses more than three children. Although there are no similar statutory requirements to inspect and license group homes for adults, in December 2003 the Ministry introduced a policy requiring that annual program compliance reviews be conducted at 20% of all ministry-funded adult group homes in a region. We note that this was a substantial increase in the percentage of adult group homes to be reviewed annually; before 2003, it had been the Ministry's policy to review 5%. The objective of these reviews is to

assess a home's compliance with various health and safety requirements as well as to assess program delivery, and to make recommendations for corrective action, where warranted.

Although the inspection and licensing process for children's homes was essentially working as intended, we found that the compliance review process for adult homes, which comprise approximately 95% of all homes funded by the Ministry under this program, was largely ineffective for the following reasons:

- Two of the three regions we visited did not maintain a list of group homes in their region or information regarding which group homes had already been reviewed. As a result, there was no assurance that the requirement to review 20% of all group homes had been complied with. There was also no assurance that all group homes, and high-risk group homes in particular, are reviewed over a reasonable period of time.
- Regional offices frequently asked agencies to pick the homes to be reviewed and gave significant advance notice of the compliance reviews. As a result, the homes at which compliance reviews were conducted may not be representative of all homes operated by an agency, and the conditions at the homes at the time of the compliance review may not be representative of the conditions throughout the year.
- In the absence of a provincial compliance review checklist or other documentation requirements, the breadth and depth of the compliance reviews varied significantly. For example, we noted many instances in which there was no documentation that compliance with health and safety requirements had been assessed.
- Where compliance reviews identified deficiencies, there was often no evidence of follow-up to ensure that the necessary corrective action had been taken.

RECOMMENDATION 7

To help ensure that the Ministry's compliance review process meets its objective of protecting vulnerable people in care, the Ministry of Community and Social Services should:

- maintain an accurate and up-to-date listing of all adult group homes and ensure that the requirement to review 20% of them annually is met, and that higher-risk group homes are reviewed with reasonable frequency;
- reassess the advisability of having agencies select the homes to be reviewed and of giving significant advance notice of reviews;
- consider developing a comprehensive checklist that would help ensure that all the required elements of the compliance review are undertaken and adequately documented; and
- ensure that where deficiencies are identified, they are followed up on to confirm that the necessary corrective action is taken in a timely manner.

MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 7, 8, and 9. We reproduce it following Recommendation 9.

Serious Occurrence Reporting

The Ministry provides agencies with definitions of serious occurrences to be reported. These include, among other things, the use of physical restraint and any serious complaints made by or about clients. Agencies are required to submit an initial notification report within 24 hours of a serious occurrence. Agencies must then submit an inquiry report, which provides a more complete description of the serious occurrence, its current status, and any further actions to be taken, within seven business days

of the initial notification. The Ministry's regional offices are required to log all reported serious occurrences for tracking purposes and for comparison with the annual serious occurrence summaries that the agencies are to prepare and submit for analysis within one month of year-end.

We note that the number of serious occurrences reported to the Ministry for the last four years has increased substantially, as illustrated in Figure 6. We were advised that this increase is a result of the broadened definition of "serious occurrence" introduced in 2003 and the agencies' preference for reporting everything that could even be remotely considered to be a serious occurrence.

Our review of the reporting process for serious occurrences found that its requirements were often not adhered to, as illustrated in the following observations:

- Many initial notification reports and subsequent inquiry reports were not submitted promptly. In addition, one regional office exempted its agencies from having to report the most common type of serious occurrence—the use of physical restraint—although a monthly summary report still had to be submitted.
- One regional office often reviewed and logged serious occurrences only many months after the reports were received. Another office logged the serious occurrences that had been reported only after the file had been closed

and the issue had been resolved, a practice that hindered the effectiveness of the logging and tracking process and prevented it from fulfilling its intended purpose.

- In many cases there was no evidence that the initial notification and inquiry reports received were reviewed and approved and, where necessary, followed up on to ensure that corrective action was taken.
- One region exempted its agencies from submitting an annual serious occurrence summary report. Annual summary reports submitted in the other regions were often inaccurate and incomplete and were received long after they were due.

As a result, we found that the serious occurrence reporting process was not effective in ensuring that all serious occurrences were appropriately dealt with on a timely basis. We were advised that many of the deficiencies we noted are attributable to the significant increase in the number of serious occurrences reported.

RECOMMENDATION 8

To safeguard more effectively the health and safety of individuals living in community accommodations, the Ministry of Community and Social Services should reassess the objectives of the serious occurrence reporting process and, in the light of that reassessment, it should:

- provide agencies with a clear and unambiguous definition of the serious occurrences that need to be reported; and
- design a process that meets its objectives and that its regional offices can oversee effectively.

MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 7, 8, and 9. We reproduce it following Recommendation 9.

Figure 6: Serious Occurrences Reported to the Ministry of Community and Social Services, 2002–2006

Source of data: Ministry of Community and Social Services

Calendar Year	# of Serious Occurrences Reported
2002	1,784
2003	5,483
2004	6,572
2005	4,407
2006	6,672

Complaint Procedures

Although there are no requirements for agencies that provide services under the *Developmental Services Act* (DSA) to have specific procedures for dealing with complaints, agencies that provide services under the *Child and Family Services Act* (CFSA) are required to establish written procedures for hearing and dealing with complaints from anyone who has sought or received services. These procedures must include an opportunity for the complainant to be heard by an appropriate level of the service provider's management up to and including the board of directors. In the event the complainant is dissatisfied with the service provider's response, the complainant can have the matter reviewed by the Ministry.

Our review of the complaints process at a number of agencies that provided services under both the DSA and the CFSA found that many of them did not have a process in place to document, log, and track complaints received. As a result, the agencies were unable to provide us with any information with respect to the number of complaints received, the nature of the complaints, or how complaints were dealt with and resolved.

While one of the three regional offices we visited had a good process in place to log and track complaints received to ensure that they were dealt with fairly and resolved satisfactorily, we found that the other two offices had no procedures in place to log and track complaints.

RECOMMENDATION 9

In order to help ensure that all complaints received by agencies get a fair hearing and are satisfactorily resolved on a timely basis, the Ministry of Community and Social Services should:

- require all agencies to have a complaints process in place that is similar to the process

described in the *Child and Family Services Act* and ensure that they comply with it; and

- ensure that all complaints that are escalated to a ministry regional office are logged, tracked, and resolved fairly and on a timely basis.

MINISTRY RESPONSE

The Ministry provided a combined response to recommendations 7, 8, and 9 as follows.

The Ministry will strengthen its oversight mechanisms for regulatory and policy compliance. Specifically, the Ministry will develop and implement a standard province-wide compliance checklist, compile a complete list of community accommodation group homes that are to be considered for a compliance review, and establish clear direction for determining an appropriate sample.

The current serious occurrence reporting process will be reviewed and revised as appropriate to ensure that the intended business needs are satisfied. In addition, a clearly defined process for logging, monitoring, and resolving service complaints that are brought to the Ministry's attention will be developed and implemented.

As part of transformation, the Ministry is developing a quality-management framework that will promote quality assurance and continuous improvement in all aspects of the ministry-funded service system for adults with a developmental disability. As part of the framework, the Ministry plans to set standards regarding the quality of services delivered and work toward promoting inclusion of adults with a developmental disability.

INFORMATION SYSTEMS

The Ministry has a Service Management Information System (SMIS) that the regional offices use to monitor payments made to and services provided by the service providers. The system has been in place since 1997.

Each quarter, regional staff manually enter data from the agencies' quarterly reports into the SMIS. Regional office directors must certify in writing to the Ministry's corporate office that the information entered into the system is complete and accurate. However, notwithstanding this certification, we had several concerns about the usefulness of this system in supporting management decision-making, as follows:

- Although data are entered into SMIS manually, the system lacks edit controls to identify input errors. During our review, we noted many instances of incomplete and inaccurate data entry, as well as data that had not been entered on a timely basis.
- SMIS generates exception and variance reports that are to be analyzed and followed up on for corrective action. However, the Ministry had no process in place to ensure that exceptions are properly followed up on and resolved. In addition, as we noted earlier, little reliance can be placed on the data in the quarterly reports provided by the agencies to be input into SMIS, and that makes the SMIS exception and variance reports also unreliable.
- The system did not provide management information in sufficient detail or the types

of reports that would be useful for analyzing program expenditures, such as cost comparisons of residential spaces.

The Ministry's internal audit services undertook an audit of the SMIS system and published its report in June 2006. Many of its findings were similar to our own.

RECOMMENDATION 10

The Ministry of Community and Social Services should ensure that its Service Management Information System (SMIS) provides complete, accurate, and useful information on which to base management decisions and to help determine whether services provided by transfer-payment agencies are effective and represent value for money spent.

MINISTRY RESPONSE

The Ministry's management and oversight of supports provided to people with developmental disabilities is dependent on the Ministry's capacity to collect, analyze, and use information. The Ministry developed and is implementing a multi-year plan aimed at improving the quality, relevance, and accuracy of the information collected from transfer-payment agencies. An important component of this plan is improving the use of information to support policy development, program design, program management, and community planning. The Ministry is committed to ensuring that staff are trained and able to use and analyze information to improve decision-making.