

Chapter 3

Ministry of Community and Social Services

Section 3.14

Supportive Services for People with Disabilities

Background

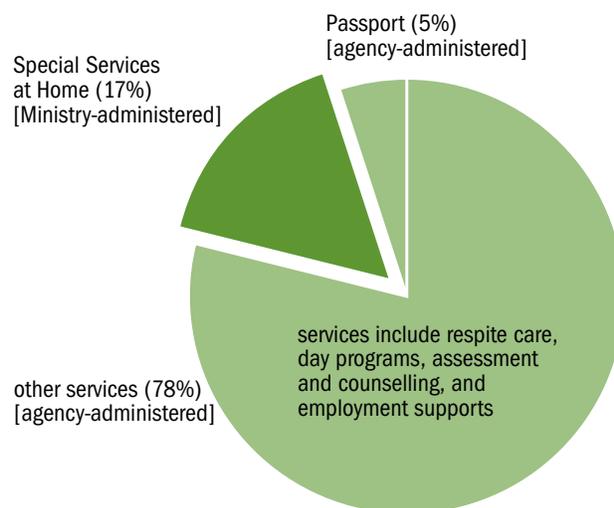
The Ministry of Community and Social Services (Ministry) funds a variety of supportive services programs designed to help people with developmental disabilities live at home, work in their communities, and participate in a wide range of activities.

Transfer payments for supportive services totalled approximately \$571 million in the 2010/11 fiscal year, an increase of approximately 68% from the 2000/01 total of \$340 million. This represents an average annual increase of approximately 5% over the last 10 years. Of the \$571 million the Ministry spent in 2010/11, it disbursed \$472 million, or approximately 83% of the total, through 412 contracts with transfer-payment agencies in nine regions. These agencies provided services to about 134,000 eligible people. The Ministry-administered Special Services at Home (SSAH) program received \$99 million to serve 24,000 families. The breakdown of funding is illustrated in Figure 1.

Agencies that receive transfer-payment funding provide or arrange for such services as assessment and counselling, speech and language therapy, behaviour intervention therapy, and respite care. The SSAH program provides direct funding to families that have eligible people with disabilities

Figure 1: Supportive Services Expenditures, 2010/11

Source of data: Ministry of Community and Social Services



living at home. This money is to be used for purchasing supports and services beyond those typically provided by families and that are designed primarily to enhance personal development and growth and provide family relief through respite care. As well, the agency-administered Passport program—a recent Ministry initiative—provides direct funding to families for such things as personal development, as well as social and recreational activities.

Audit Objective and Scope

The objective of our audit of supportive services was to assess whether the Ministry of Community and Social Services (Ministry) had adequate policies and procedures for ensuring that:

- quality supportive services were provided in compliance with legislative and program requirements and performance expectations; and
- transfer payments were satisfactorily controlled and commensurate with the amount and value of services provided.

Senior management reviewed and agreed to our audit objective and associated audit criteria.

Our audit included a review and analysis of relevant files and administrative policies and procedures, as well as discussions with appropriate staff at the Ministry's head office and four regional offices that we visited (Kingston, Ottawa, Sudbury, and Toronto). We also reviewed and analyzed relevant files and administrative policies and procedures, and we held discussions with senior staff at 13 transfer-payment agencies within the four regions we visited.

In addition, we met with the Provincial Network on Developmental Services, which included members from a wide range of interest groups, such as Ontario Agencies Supporting Individuals with Special Needs and the Ontario Association on Developmental Disabilities.

We reviewed several audit reports issued by the Ministry's Internal Audit Services, including its 2006 transformation project review of the SSAH program and its 2010 Regional Office Controllorship Review of the South West Regional Office. Although these reports did not reduce the extent of our work, they did influence our thinking about specific issues and the approach to our work with respect to those issues.

We also reviewed the 2008 Deloitte report on the Ministry's Passport program, which made a number of recommendations. We considered these

recommendations and the actions taken by the Ministry in planning our audit.

Summary

Many of the concerns noted in our last audit of this program, which took place 15 years ago, have still not been satisfactorily addressed. As a result, the Ministry still does not have adequate assurance that its service delivery agencies are providing an appropriate and consistent level of support in a cost-effective manner to people with developmental disabilities.

Specifically, the Ministry's oversight procedures are still not adequate to ensure that quality services are provided and that public funds are properly managed by transfer-payment agencies. For example, ministry staff rarely visit agencies for these purposes. Such visits would be particularly important given the inadequate accountability mechanisms we noted during our audit.

The Ministry has for several years been undertaking a comprehensive Developmental Services Transformation project. When the project is complete, the Ministry expects to have made a number of significant changes to the system of developmental services and supports. However, given the extent and complexity of the changes, it will take several years before many of the issues we identify in this report can be effectively addressed.

With respect to ensuring that quality services were provided by transfer-payment agencies in compliance with legislative requirements and program policies and procedures, we found the following:

- In half the cases we reviewed, agencies lacked supporting documentation to adequately demonstrate a person's eligibility or needs. As a result, agencies could not demonstrate, and the Ministry could not assess, an individual's needs and whether the individual was receiving the appropriate level of service or, for example, was in need of additional support.

- The Ministry has not established acceptable standards of service, or the necessary processes to properly monitor the quality of services provided and whether it is receiving value for money for the funding provided to community-based agencies.
- The Ministry is not aware of the number of people who are waiting for agency-based supportive services, information that is necessary for assessing unmet service needs.
- Although one would expect a consistent set of rules about what are appropriate services and, therefore, allowable expenditures under the Passport program, the Ministry has not set such rules. As a result, expenses for services reimbursed in one region were deemed ineligible for reimbursement in another. In addition, claims by individuals under the Passport program often lacked the details necessary to ensure the appropriateness of expenses approved and reimbursed. For example, a family was paid a total of \$22,000 for a year; however, the monthly expenditure reimbursement requests submitted by the family did not provide any information to demonstrate that the funding was being requested for eligible purposes.

Our observations with respect to the Ministry's oversight of funding provided to transfer-payment agencies are as follows:

- In practice, annual agency funding continues to be primarily historically based rather than needs-based, and this exacerbates any previous funding inequities. As a result, we were not surprised to find that some hourly service costs appeared excessive and that the range of costs per hour for similar services varied widely across the province.
- The quarterly reporting and annual transfer-payment reconciliation processes are ineffective and serve little purpose given that:
 - information provided by agencies in these reports is often not accurate and reflective of operations;
 - the quality of the Ministry's review is inadequate and is performed by staff without adequate training and expertise; and
 - the Ministry does not adequately review the year-end transfer-payment reconciliations to ensure that they were properly and consistently completed.

- The Ministry had little knowledge of whether the agencies it funded and their boards of directors had effective governance and control structures in place. We found that, in one case, even when serious concerns were identified, neither the board nor the Ministry took appropriate action.

With respect to the Special Services at Home (SSAH) program, which directly reimburses individuals and families for eligible expenses, we found the following:

- Our review of a sample of case files for people who received SSAH funding found that the forms were properly completed, and in most cases people received the support they were entitled to under the program's decision guide.
- Since 2008/09, no additional SSAH funding has been provided to address the gap between the growing demand and available funding. As a result, as of March 31, 2011, there was a waiting list of almost 9,600 people who met the eligibility criteria but were still waiting for SSAH funding.
- We were often unable to determine, and the Ministry was unable to demonstrate, that the claims submitted and the reimbursements made to families were for eligible expenses.

We also found that the Ministry has not ensured that transfer-payment agencies complied with the government directive regarding travel, meal, and hospitality expenses. We noted a number of purchases made by senior management at the agencies that did not comply with the government directive on travel, meal, and hospitality expenses, or with good business practices.

OVERALL MINISTRY RESPONSE

The Ministry appreciates the recommendations of the Auditor General. As part of its long-term plan to transform the developmental services system, the Ministry has already initiated several improvements that are consistent with the recommendations concerning accountability, eligibility for and access to services, and administration.

In January 2011, the Ministry put in place more robust quality assurance measures to set service standards for all agencies that receive provincial funding for developmental services.

Subsequent to the audit, the Ministry implemented a new way for people to apply for services. This addresses the Auditor General's concerns about inconsistency in eligibility. Individuals will now apply for services based on the same criteria through a single streamlined and consistent process.

We are continuing to introduce measures to make sure that public funds are managed more effectively. We have implemented a stronger approach to assess financial risk in agencies delivering services and will be introducing new reporting standards to improve service quality and financial information.

The Ministry is also improving the administration of the Special Services at Home and Passport programs. We are moving to a single direct funding program to make the system easier to navigate and more flexible for individuals and families. As of April 1, 2012, Special Services at Home will no longer serve adults with a developmental disability. Adults will apply to Passport for direct funding; children will apply to Special Services at Home. As part of this change, the Ministry is reviewing the Passport guidelines and will clarify eligible expenses for reimbursement under both programs.

Detailed Observations

SERVICES PROVIDED BY TRANSFER-PAYMENT AGENCIES

Eligibility and Access to Services

At the time of our audit, agencies in the nine regions, which account for 80% of total program expenditures, were using one of two access models to enable people to obtain services—either a single-agency model or a multi-agency collaborative model.

In a single-agency setup, people apply to an agency in the community that has been designated as the single access point. This agency performs the initial screening, determines a person's eligibility for supports and services, and matches his or her needs to the available services. In a multi-agency collaborative setup, a person or family can apply directly to any agency in their community.

To qualify for and receive supportive services, a person is first assessed for eligibility by the agency he or she approaches. The agency prepares a formal assessment to determine what services the person needs. We found that, in most cases, the Ministry did not provide guidance to agencies regarding the criteria and documentation required to demonstrate someone's eligibility and, therefore, their needs. As a result, half the cases we reviewed lacked documentation supporting the diagnosis of the individual's specific disability and needs. In the absence of such documentation, the Ministry cannot readily ascertain whether service needs are determined on a fair and consistent basis throughout Ontario and that the services recommended are the most appropriate for the individual's needs.

RECOMMENDATION 1

To help ensure that eligibility is determined consistently and equitably across the province, and that individuals receive the appropriate

support, the Ministry of Community and Social Services (Ministry) should provide guidance to agencies regarding the criteria and documentation required to demonstrate a person's eligibility and needs. The Ministry's regional offices, as part of their oversight responsibilities, should then periodically review whether transfer-payment agencies are assessing people on a consistent basis and matching their needs to the most suitable available services.

MINISTRY RESPONSE

In July 2011, the Ministry implemented a new way for people to apply for developmental services and supports. Nine Developmental Services Ontario organizations are now the single windows through which adults with a developmental disability and their families apply for services and supports. Decisions about eligibility for support are made the same way across the province, on the basis of consistent criteria. Everyone will be assessed in the same way regardless of where he or she lives in the province. This new process means that eligibility will be determined consistently across the province.

Quality of Services Provided

Establishing measurable service standards can be challenging, given that agencies provide a wide range of programs, and that service needs can vary significantly from person to person. However, it is important for the Ministry to set quality-of-service standards to help ensure that programs delivered by agencies meet people's needs and ultimately represent value for money spent. Common benchmarks such as staff-to-client ratios, assessment of staff qualifications, and, ultimately, assessment of program outcomes are useful tools for evaluating the quality and cost-effectiveness of the developmental support services being provided.

However, based on our review of program files and discussions with ministry and agency staff and stakeholder groups, we noted that, similar to findings from our last audit of this program in 1996, the Ministry does not have a set of standards or a process in place for periodically assessing the quality of services provided by agencies. As well, we noted that the regional offices seldom made on-site visits to the various agencies responsible for service delivery in their regions to gain first-hand knowledge of their operations. As a result, the Ministry cannot assess whether agencies have provided the right services given the individual's needs or whether value for money has been received for the funding provided to that agency.

RECOMMENDATION 2

To ensure that services are appropriate, are of an acceptable standard, and represent value for the money spent, the Ministry of Community and Social Services should:

- establish acceptable standards of service; and
- periodically evaluate the appropriateness and cost-effectiveness of the services provided by transfer-payment agencies.

MINISTRY RESPONSE

The Ministry monitors service agencies through an annual funding agreement that sets out the Ministry's expectations and requirements for service delivery for each program area.

In January 2011, the Ministry introduced a new regulation that established more robust quality assurance measures for agencies. These measures are intended to help set consistent standards and evaluate the appropriateness of the services and supports being delivered to adults with a developmental disability. All Ontario-funded developmental services agencies were trained on the measures, and ministry staff will regularly follow up with agencies to make sure they are complying.

The Ministry is also planning to conduct an evaluation of the implementation of the new Developmental Services Ontario organizations as part of its transformation initiatives. These organizations provide a single point of access for adults with a developmental disability and their families to apply for services and supports. Anticipated as part of this evaluation is whether individuals with a developmental disability receive the appropriate services as identified in their assessments, as well as an analysis of the cost of these services.

In addition, the Ministry is co-leading a long-term human-resource strategy with the developmental services sector to recruit and retain qualified professionals to ensure that there is a well-trained, skilled workforce to support individuals. A key component of the strategy has been the development of core competencies for positions at all levels in the sector. These core competencies will help improve the skill sets of direct support staff as well as of agency management.

Wait Lists

People who are assessed as eligible for supportive services, but for whom agency-based services or direct funds are not available at the time of assessment, are placed on a waiting list. Lack of access to supports or services—and the resulting wait lists—can arise because of inequitable distribution of funds among the regions. As well, some areas of the province have limited access to certain professional services, resulting in longer waits for such services.

Agencies within each region maintain, either collectively or individually, the wait-list information for applicants who are determined to be eligible and in need of service. There currently is no standard approach in maintaining waiting lists for agency services, and, with the exception of the Passport program, wait-list information is not provided by the agencies to the Ministry's regional

offices. Therefore, with the exception of the direct funding programs (SSAH and Passport), the Ministry is not aware of the number of people waiting for agency-based supportive services, information that is necessary for assessing unmet service needs. Wait-list information, once collected and analyzed, would help the Ministry identify where the need is greatest and would help it, for example, distribute funding more effectively.

RECOMMENDATION 3

To help monitor and assess unmet service needs, and help allocate funding more equitably, the Ministry of Community and Social Services (Ministry) should work with agencies to ensure that they prepare and periodically forward to the Ministry accurate wait-list information on a consistent basis.

MINISTRY RESPONSE

A key goal of Ontario's developmental services modernization is improving fairness and equity in how funding decisions are made. Developmental Services Ontario will now be responsible for assessing everyone's needs in a consistent way. Its work will be supported by new technology that will maintain accurate information about service needs and wait lists across the province.

The next step in the modernization plan is a new funding approach that will consistently prioritize service for people who need it most. It will also make funding more equitable by tying funds to each person's assessed needs, so that people with similar needs receive similar levels of support.

Passport Program

In the 2005/06 fiscal year, the Ministry implemented an initiative called the Passport program to give an annual block of funding to agencies to

be given to families of eligible people who have left school or who are waiting for community-based services. Under this program, people may receive funding to help them get involved in continuing education, volunteering, leisure activities, and social skills development, as well as to get help with employment preparation and vocational activities.

In the 2010/11 fiscal year, 2,700 people received a total of \$31 million (or an average of \$11,500 each) in Passport funding. In addition, there were approximately 4,500 people who had been determined to be eligible, but who, because of the limited funding available, were on the Passport funding wait list.

Passport Program Reimbursements

Once a region's designated Passport program agency has determined eligibility and approved funding amounts, clients and their families can choose either to receive funding directly to purchase services themselves or to have the agency administer the funding on their behalf. Families that choose to receive funding directly must submit detailed invoices to the Passport-designated agency for approval and reimbursement.

Our review of a sample of claims found that the process for ensuring that funding was spent only for eligible services was ineffective for the following reasons:

- The Ministry has not set out clearly what are appropriate uses of Passport funding. As a result, expenditures being approved in one region were not deemed eligible for reimbursement in another. For example, reimbursements for entertainment expenses at times included expenses for the support worker only, at other times for both the support worker and the client, and at other times the support worker, the client, and accompanying friends and family members, depending on which region the client was in.
- There is inadequate control by agencies over the review and approval of reimbursements.

All files we reviewed had instances where the invoices lacked normally expected information such as specific dates, what activity was being claimed for reimbursement, and the duration. For example, a family was reimbursed \$22,000 for a year with monthly invoices that simply noted "volunteer job activities," "health and fitness in the community," and "personal skills development." Another client was reimbursed for a \$7,000 invoice that listed only "recreation" activities for an 11-month period.

RECOMMENDATION 4

To ensure that families are being reimbursed only for the reasonable cost for eligible activities, the Ministry of Community and Social Services should clearly define what are eligible expenditures and ensure that agencies are approving and reimbursing expense claims on a consistent basis across the province.

MINISTRY RESPONSE

The Ministry is moving toward a single direct funding program in April 2012. To prepare for this change, the Ministry has begun reviewing its guidelines for Passport. The new guidelines will specify more clearly the services and supports that can be purchased through this program and the reporting and accountability requirements.

MANAGEMENT AND CONTROL OF TRANSFER-PAYMENT CONTRACTS

Budget Submissions and Annual Service Contracts

The Ministry enters into annual service contracts with each of its supportive services transfer-payment agencies. The agencies submit annual budget proposals, which are to include details about the

amount of program funding they are seeking, and the types and quantity of services to be provided. The process then calls for the Ministry to review the budget submission package to help ensure that the final contract entered into provides for quality services that represent value for money spent.

We found that the Ministry's budget review and contract approval process does not ensure that the approved amount of funding is reasonable and commensurate with services to be provided. In the cases we reviewed, there was little or no evidence that the Ministry had performed any analysis of budget submissions.

This is of particular concern for the following reasons:

- In most of the files we reviewed, there were significant variances in budgeted service targets and requested funding amounts compared to the previous year's approved contract. For example, the service target for one program decreased by almost half—from 39 to 21 individuals—but the funding requested by the agency almost doubled—to \$803,000 from \$440,000. The Ministry subsequently approved the contract for the agency to receive \$840,000 to serve the 21 people. Although the total number of people served isn't the only indicator of what funding an agency should receive, the significant decrease in clients served should have warranted follow-up questions before an almost doubling of the previous year's funding was approved.

- The service targets and funding amounts on the agencies' budget submissions were often significantly different from those on the contract that was ultimately approved, and there was no evidence of the Ministry's rationale for the approved amounts. For example, for one agency the service target for one of its programs decreased significantly, from 51 individuals on the budget submission to nine on the approved contract, yet the original \$79,000 requested for 51 people was not changed and was ultimately approved.

Except for minor adjustments for special initiatives and new programs, service contracts—including service targets and total funding amounts—are generally rolled forward from year to year. There's no evidence that the Ministry assessed the reasonableness of the funding approved, vis-à-vis the services to be provided.

The cost per hour for particular types of services varies widely among regions. We asked the Ministry whether it compares the cost of similar services between agencies within each region or across the province to determine whether the costs are reasonable. We were advised that the Ministry does not do such comparisons. We analyzed the cost per hour of direct service for various types of programs in three of the four regions we visited and noted a wide range. Figure 2 shows the cost range for some services.

The costs per hour for different types of supportive services are expected to vary, sometimes

Figure 2: Cost Range for Selected Adult Services, 2009/10

Source of data: Ministry of Community and Social Services

Type of Service	Cost per Hour of Direct Service				
	Province	Three Regions Visited			# of Agencies*
	Average (\$)	Average (\$)	Lowest (\$)	Highest (\$)	
out-of-home respite care	61	20	4	457	35
assessment and counselling	86	121	10	487	32
day programs	33	45	8	74	59
client case management	32	48	16	881	52

* Number of agencies that are providing each specific service within the three regions from which we obtained the information

significantly, depending on the type of service a client requires, although the cost per hour of similar services should be within a reasonable range. However, as seen in Figure 2, some costs per hour appear excessive, and the range of costs per hour for similar services is extreme. The Ministry does not have the information necessary to assess what constitutes a reasonable hourly cost or a reasonable range.

We also noted that a 2%-a-year base funding increase was provided to agencies beginning in the 2007/08 fiscal year up to and including 2009/10. This increase was part of the 2007 Ontario Budget announcement to enhance services and supports in the developmental services sector.

Because increases such as the 2%-a-year base increase were given without any consideration of the agencies' prior-year surpluses or deficits, or changes in service demands, any previous funding inequities were not addressed. We noted similarly in our 1996 audit that across-the-board percentage funding changes perpetuated historical funding inequities. We further noted that there was insufficient evidence in the files we reviewed that the Ministry related the amount of an agency's total funding approval to an assessment of the value of the underlying services to be provided or the comparative need for services in that local community. For example, the Ministry did not determine the cost per unit of service to permit the comparison of the costs for similar services or the identification of higher-cost services that could benefit from a more detailed review.

RECOMMENDATION 5

To ensure that funding provided to transfer-payment agencies is commensurate with the value of services provided and that funding is primarily provided based on local needs, the Ministry of Community and Social Services should:

- reassess its current budget submission, review, and approval process and revise it to ensure that the approved funding to agencies is appropriate for the expected level of service; and

- analyze and compare the agency costs of similar programs across the province, and investigate significant variances that seem unjustified.

MINISTRY RESPONSE

The Ministry is developing a new funding allocation model that will improve equity, allocate funding on the basis of assessed need, and promote cost-effectiveness.

In the 2012/13 fiscal year, the Ministry will introduce new Transfer Payment Reporting Standards that will help improve the Ministry's ability to compare costs between agencies that are providing similar programs. Following that, additional financial data standards will be implemented that will allow more accurate information on program cost factors and variances. Ministry and agency staff will be trained to ensure a consistent approach to contract management and analysis of quarterly reporting information.

Ministry Oversight and Control

The government transfer-payment accountability Best Practices guide states:

It is not enough to have an agreement in place and then file it away. [Transfer-payment] program managers have to read, understand, and actually use and enforce these agreements in managing the [transfer-payment] relationship on a day-to-day basis. So while an agreement is an essential instrument to have in a well-managed [transfer-payment] program, it is not a substitute for program managers' due diligence at every stage of the transfer payment accountability cycle.

To assess whether the Ministry was adhering to this directive in monitoring the quality of services

and the value-for-money performance of the community-based agencies it funds through transfer payments, we looked at two things. The first is the accuracy of the information that the agencies report to the Ministry, and the second is the process that the Ministry has in place for assessing that information in relation to the annual agency contract, including performance benchmarks. Our review found that neither of these requirements was fulfilled to a sufficient standard to allow proper oversight of community-based service delivery. These requirements are particularly important in view of the fact that regional offices do not conduct periodic on-site visits of agencies.

In particular:

- Although the Ministry requires that agencies file quarterly and year-end reports to inform it of such things as budgeted expenditures compared to actual expenditures, and expected services being funded compared to actual services provided, agencies often did not accurately or adequately report key information to the regional offices.

For example, we found that many agencies report their service results by replicating their approved targets or making arbitrary allocations, regardless of actual clients served. Almost all of the agencies maintained client lists that differed, sometimes significantly, from what was reported to the Ministry. For example, one agency reported serving 65 people in its respite-care program when it actually served 26. Another reported serving 25 people in its day program when it served 194. When asked about the basis for the numbers reported to the Ministry, these agencies said that they were arbitrary numbers determined in previous years and were reported to match the approved funding contract for that year.

We also found that programs' service hours and administration costs reported by agencies do not represent the actual costs.

Once again, agencies told us that they arbitrarily allocate those amounts to programs.

We also found that some agencies did not submit the required audited financial statements, post-audit management letters, or other supporting information to substantiate expenditures and adjustments on their year-end reports, known as Transfer Payment Annual Reconciliation (TPAR) reports.

We recognize that agencies have little incentive to report actual service and expenditure data accurately, since Ministry-approved funding amounts are based primarily on historical data and are consistently rolled forward from year to year, regardless of the level of actual services being provided. As well, in most cases, there are no consequences for agencies that report inaccurate or misleading results.

- The Ministry does not have in place adequate procedures for reviewing the information that it receives from agencies to determine its accuracy, or for following up on inconsistencies even when they're evident. We found that the Ministry does not request supporting information, such as client lists, in order to confirm whether data from the agencies are accurate and reflect actual operations; nor, as previously noted, do regional office staff visit the agencies to gain first-hand information on the level of services actually being delivered. The Ministry also doesn't confirm whether data were reported in accordance with the instructions it sends out to the agencies.

We found no evidence that the Ministry followed up on any of the cases where there were significant variances between approved and actual reported service targets on quarterly reports, even though there was no explanation provided by the agencies, or the explanations were insufficient. As well, the Ministry did not identify and analyze variances in data from one quarterly report to another. For example, for the first three quarters of the fiscal year, an

agency reported serving 15 people in a program; in the fourth quarter, it reported only four people in the program.

We also found that the two ministry units that handle the reviews of the quarterly and year-end reports, respectively, operate independently and therefore do not benefit from each other's knowledge of the agencies' files.

When agencies did submit the required financial information in their year-end TPAR reports, the Ministry did not properly reconcile the reports to the agencies' related audited financial statements. We reviewed the financial information provided in a sample of TPAR reports and identified a number of inappropriate expenses that the Ministry did not identify, but should have. For example, we found capital purchases that were made using transfer-payment funds approved for delivery of supportive services. In half of these cases, the agencies reported on their TPARs that annual program operating funds of up to \$540,000 were used for one-time capital purchases, the details of which were not documented. Ministry staff in this region told us that they compared totals rather than doing a line-by-line review of the financial information provided. Our scan of the information indicated that a line-by-line review would have highlighted these unauthorized major capital purchases for follow-up.

We also noted that ministry staff responsible for review and approval of financial submissions from agencies often did not have the necessary training and expertise. As a result, the staff cannot effectively review and interpret the information from agencies. For example, ministry staff relied on the audited financial statements of agencies to ensure that transfer payments were spent prudently and for their intended purposes. However, a financial-statement audit isn't intended to provide assurance that funds were spent prudently and for the intended or eligible purposes; it ensures only

that what the funds were spent for is accurately reported in the agency's financial statements.

RECOMMENDATION 6

To ensure adequate oversight of transfer-payment agencies and to improve accountability within the supportive services program, the Ministry of Community and Social Services should:

- review all agency quarterly reports and year-end TPAR submissions for unusual or unexplained variances from previous years and from contractual agreements, and follow up on all significant variances;
- perform spot audits on agencies to validate the information provided in the quarterly reports and TPAR submissions; and
- assess whether each regional office has the level of financial expertise required, and, where lacking, determine the best way of acquiring this expertise.

MINISTRY RESPONSE

Introduction of new Transfer Payment Reporting Standards in the 2012/13 fiscal year and additional financial data standards will enhance the Ministry's ability to assess whether or not value for money was received and require that significant variances be explained.

Ministry staff will receive additional training to support a more consistent approach to contract management and analysis of quarterly reporting information.

Work is also under way on two separate Transfer Payment Governance and Accountability Frameworks, one for ministry staff and one for service providers. The frameworks will promote a stronger understanding of ministry business practices and risk management to improve accountability in the management of transfer payments.

The Ministry's new legislation for developmental services includes requirements for quality assurance measures and allows ministry staff

to conduct site visits with agencies. These visits can include inspection of financial records.

Governance and Accountability

Agencies that receive transfer payments are required to have effective governance structures and accountability processes in place to properly administer and manage public funds.

However, contrary to what one would expect, especially for agencies receiving significant funding, the Ministry had little knowledge of whether agencies and their boards had the expertise and experience necessary to discharge their responsibilities in compliance with ministry requirements, and had the appropriate governance and control structures.

Although smaller agencies receive less funding, appropriate oversight is still critical, especially because separation of duties is inherently difficult at small agencies, which are often run by a single individual. Generally, such agencies have insufficient resources to achieve the proper segregation of duties found in larger organizations. Although the primary oversight role rests with the boards of directors, the Ministry still needs to be cognizant of the risks, so any concerns identified to the boards and the Ministry should be addressed promptly.

However, we found examples where even when concerns were identified, neither the board of directors nor the Ministry took action. In one agency we visited, we noted that the executive director performed all the accounting functions and was the only person who had access to the agency's financial information, such as bank records and journal entries. This agency's external auditors noted in their report to the board of directors that errors and omissions in the agency's financial records resulted in internal financial statements that differed materially from the actual financial position and results of the agency's operations. The external auditors' report also highlighted concerns over the conflicting duties of the executive director. Subsequent to

this report, the board of directors fired the external auditors and appointed new auditors. The Ministry also obtained the report from the auditors but did not question or even follow up with the board or the agency.

We also identified a number of questionable expenses at larger agencies, such as retirement gifts and frequent staff appreciation meals. At one agency, when we brought such examples of inappropriate expenditures to the attention of senior executives, the response from one was that the agency would simply charge those expenses to a different account in the future, so as not to raise any suspicion in upcoming audits. Our sense was that senior management did not appear to understand that the account to which the expenses were charged was not the issue; rather, it was the questionable use of taxpayer money.

Based on the findings in this report and our discussions with ministry and agency staff, we believe that the Ministry's oversight procedures are not adequate to ensure that public funds are well spent and properly managed by agencies and their boards of directors.

RECOMMENDATION 7

To ensure that agencies have the capabilities to properly administer the spending of public funds, the Ministry of Community and Social Services should encourage the regional offices to play a more hands-on role in ensuring that agencies have appropriate expertise and governance structures and accountability processes, including those smaller agencies that receive less funding but may have more difficulty maintaining proper financial controls.

MINISTRY RESPONSE

The Ministry is committed to strengthening governance and accountability in the use of public funds. Work is under way on two separate Transfer Payment Governance and Accountability Frameworks, one for ministry staff and

one for service providers. The frameworks will promote a stronger understanding of ministry business practices and risk management to improve accountability in the management of transfer payments. The Ministry is also refining its risk assessment tools, introduced in 2008, for fall 2011. Ministry staff use the tools to assess a broad range of risks, including those associated with governance and accountability.

SPECIAL SERVICES AT HOME (SSAH)

Under its Special Services at Home (SSAH) program, the Ministry directly funds, at an average of \$4,200 each, 24,000 individuals or families that have elected to manage the services for an eligible adult or child with a developmental disability, or for a child with a physical disability. The funding provided is intended to assist the eligible individual and his or her family in purchasing services such as family relief, or for personal growth and development for developmentally disabled individuals.

In the 2008/09 fiscal year, the Ministry decided to freeze SSAH funding while it looked at ways to address the gap between the growing demand and available funding. Since this freeze came into effect, no additional individuals have been approved for funding, resulting in a wait list of almost 9,600 people who had been determined to be eligible and were waiting for SSAH funding as of March 31, 2011.

Eligibility for SSAH funding is restricted to adults and children with developmental disabilities or children with physical disabilities, provided that they are residents of Ontario, have ongoing functional limitations as a result of their disabilities, require support beyond that which is typically provided by families, and are living at home with their families or are living outside the family home but do not receive residential staff support from a government-funded source. To qualify, a person

must have written documentation from a physician or psychologist that outlines his or her disability.

To help regional offices provide funding commensurate with an applicant's needs and to ensure that levels of funding are comparable for people with similar needs, the Ministry in 2004 implemented the Decision Support Guide. The guide includes 15 questions to be used by ministry staff to assess the level of a person's needs on a point system in eight major categories. The accumulated score for the 15 questions then determines the maximum amount of funding for which the person is eligible.

Our review of a sample of case files for people who received SSAH funding found that the forms were properly completed, and in most cases people received the support they were entitled to under the decision guide.

However, there were many cases in which there were changes to an individual's decision-guide score from one year to the next—something that could change the amount of funding for which he or she would be eligible. Even in those cases where the change in score did change the funding, there was no additional information to support the change in score. For example, one person whose score changed from one year to the next without any documented rationale received a funding increase of \$4,000, or 66%, from the previous year's funding. The increase was approved while the SSAH funding freeze was in effect.

SSAH Reimbursements

SSAH funds help eligible people and their families purchase support services that would otherwise not be available to them. These must be for one of two purposes: to help with the client's personal development and growth or for the family's relief and support, including respite care.

There are a number of services available in the community, and families are expected to bear some costs, regardless of their situation. Therefore, there are services that are not recognized or funded

through SSAH, including basic care, child-care fees, assistive devices and specialized equipment, dental services, and home modifications. Although the Ministry has produced a list of ineligible expenses that will not be reimbursed, it has not defined precisely what expenses do qualify for SSAH funding.

Individuals may choose to purchase services themselves with their approved SSAH funding or may elect to have an agency administer the funding on their behalf for a negotiated administration fee. In either case, for individuals and families to recover expenses incurred under the SSAH program, they must submit invoices that are supported by appropriate documentation either to the regional office if they self-administer, or to the agency they designated to administer their funds on their behalf.

Our review of submitted claims and reimbursements paid directly to families by the Ministry or through an agency found that there was inadequate information and review of reimbursement claims to ensure that payments met the intent of the program. Following are some examples:

- In some cases, claims were inappropriately approved and reimbursed for such things as basic care by the primary caregiver and for duplicate invoices. For example, two identical invoices of \$4,100 submitted in the same month by a family were approved and reimbursed without question by the Ministry.
- An invoice for \$4,560 was reimbursed, although detail that should be expected, such as specific dates the service was rendered, and the hours and rate charged by the person providing the service, were missing.

We also found that in the small number of cases in which individuals elected to have an agency administer the funding on their behalf, the Ministry neither requested invoices from the agencies to substantiate the SSAH reimbursements nor performed any spot audits to verify amounts claimed by agencies.

RECOMMENDATION 8

To ensure that Special Services at Home (SSAH) reimbursements to families are consistently made only for legitimate and eligible expenses, the Ministry of Community and Social Services (Ministry) should establish and communicate clear criteria for what constitutes an eligible expense.

In addition, the Ministry and agencies that administer SSAH funding should obtain sufficiently detailed invoices—and, where applicable, receipts—to ensure that the amounts claimed are in fact eligible and reasonable before funds are disbursed.

MINISTRY RESPONSE

In June 2011, the Ministry announced that it will be moving to a single direct funding program to make the system easier to navigate and more flexible for individuals and families. As of April 1, 2012, adults applying for direct funding support will apply to the Passport program. As outlined in the Ministry's response to Recommendation 4, the Ministry will be revising the Passport guidelines to specify more clearly the services and supports that can be purchased through this program and the reporting and accountability requirements. At the same time, the Ministry will also be reviewing its invoicing procedures to improve financial oversight.

The SSAH program will continue to serve children and youth. There will be a review of the SSAH program guidelines to address the Auditor General's concerns.

OTHER MATTERS

Travel, Meal, and Hospitality Expenditures

In the latter half of 2009, after questionable spending practices at other public-sector organizations received significant public attention, the Ministry

of Finance announced that all agencies that receive government funding would have to comply with the government directive surrounding travel, meal, and hospitality expenses. The Ministry of Community and Social Services advised all its transfer-payment agencies to comply with the government directive, which, among other things:

- states that expense claims must be properly documented and include detailed receipts;
- outlines expenses that are not eligible for reimbursement, such as alcohol for employees;
- defines under what conditions travel and accommodation expenses will be reimbursed; and
- sets out acceptable hospitality costs.

We found that the government's directive on travel, meal, and hospitality expenses had often not been adopted by agencies.

We reviewed a sample of travel, meal, and hospitality claims of senior management. Most of these expenses were charged to agency credit cards. On an overall basis, we found that transfer-payment agencies often did not comply with the government's directive or with good business practices. We noted many instances where reimbursements for travel, meal, hospitality, and other expenses appeared excessive or otherwise inappropriate in our view. Our specific comments are detailed as follows.

Travel

We found several instances of travel to the United States where detailed invoices were not submitted to substantiate the expenses incurred. For example, invoices were not submitted for hotel accommodations for the Hyatt Hotel in Phoenix, Arizona, where hotel charges to the agency credit card totalled \$1,880. In another case, \$1,300 was charged for accommodation at the Hilton Hotel in Seattle, with no details provided on the nature of the trip. In some cases where invoices were submitted, the circumstances of the trips were not documented or justified. For example, two people charged their agency

credit cards a total of \$3,587 for return flights to, and accommodations in, San Francisco. When questioned, the agency explained that the purpose of the trip was for a "social enterprise conference." In addition, we found that at some agencies, staff charged their credit cards for hotel accommodations in close proximity to their office headquarters, which is contrary to the government directive.

Meals and Hospitality

Our review of a sample of meal and hospitality expenses charged to agency credit cards noted that many appeared excessive and/or were questionable in our view. They included:

- \$1,155 spent at a steakhouse, with neither the purpose nor the number and identities of those who attended stated, and with no detailed receipt submitted;
- \$1,090 spent at a steakhouse, with neither the purpose nor the number and identities of attendees stated, and with no detailed receipt submitted;
- \$747 for five cakes for a "top employers celebration";
- \$570 spent on a "retirement lunch," with the number and identities of attendees not stated and no detailed receipt submitted;
- \$545 for catering for a "send-off reception" at which the number of guests was not recorded.

Other types of questionable expenditures included:

- gift cards totalling \$800 purchased by an agency, with no record of who actually received the gift cards or why;
- \$327 spent on jewellery at Tiffany & Co. for a "retirement gift";
- annual lease and car insurance payments for a personal luxury vehicle totalling \$11,000 made with agency funding on behalf of the executive director. In addition, the executive director was reimbursed for all vehicle maintenance and gas purchases. We also noted that the personal vehicle benefit obtained by the

executive director was not reported as a taxable benefit on the individual's annual T4 slip.

- fitness and pool memberships paid for by an agency in 2009 and 2010 worth \$1,400 each year. The details of the memberships clearly identified that they were for two individuals—specifically, the executive director of the agency and the executive director's spouse.

During the time of our audit, all agencies had to comply with the then government directive on travel, meal, and hospitality expenses. However, the government's new *Broader Public Sector Accountability Act*, which came into effect in April 2011, stipulates that only agencies receiving \$10 million or more per year in provincial funding must now comply with the new Broader Public Sector Expenses Directive, which mirrors the government's 2009 Travel, Meal, and Hospitality Directive.

The new directive notwithstanding, we believe that the principles in this directive provide sound guidance for all agencies to follow.

RECOMMENDATION 9

To help ensure that all agencies that are required to do so implement the government's new directive on travel, meal, and hospitality expenses, and that all other agencies follow the spirit of the directive, the Ministry of Community and Social Services should reinforce the requirements to do so and consider having the agencies' board chairs annually attest to such compliance.

MINISTRY RESPONSE

The Ministry has strengthened its risk assessment process to include oversight of procurement activities and travel, meal, and hospitality expenses. The Ministry is now developing additional measures and strategies to hold boards of directors accountable for the prudent use of program funds and compliance with the new *Broader Public Sector Accountability Act, 2010*, including board attestations for compliance

and training for boards as recommended by the Auditor General.

As noted by the Auditor General, effective April 2011, all ministry transfer-payment agencies that receive \$10 million or more a year in provincial funding must now comply with the Broader Public Sector Expenses Directive, which mirrors the government's 2009 Travel, Meal, and Hospitality Directive. Agencies subject to the Act and Directive were notified of their obligations.

Smaller agencies not subject to the Act were provided with the Broader Public Sector Directives on Procurement and Expenses and were encouraged to voluntarily comply.

SSAH Program Administration

All nine of the Ministry's regional offices administer the SSAH program, which includes assessing clients for program eligibility and processing eligible reimbursements. However, we noted some significant differences in the way the program is administered in some regions.

Although all regional offices have similar staffing levels for administering the SSAH program, one office provided funding to six agencies to help it administer the program, at a cost of \$2.1 million. As well, in five regions, a total of \$3.2 million was paid to 33 agencies for helping SSAH clients fill out their application forms. The amount agencies received varied within regions and across the province. For example, some agencies received as little as \$60 on average per client served, while other agencies received as much as \$1,500. The Ministry could not provide an explanation for the variances.

In 2009, the Ministry established a working group to assess the appropriateness of the additional administration expenditures being incurred. However, the Ministry had not taken action on any of the recommendations made by the group as of spring 2011.

RECOMMENDATION 10

Given the similarities in overall staffing levels at the regional offices dedicated to the Special Services at Home (SSAH) program, the Ministry of Community and Social Services should assess the need for the additional administration costs being paid out to agencies and ensure that all costs incurred are reasonable and necessary.

MINISTRY RESPONSE

The Ministry agrees that program administration costs should be reasonable and necessary. During summer and fall 2011, the Ministry was working to move toward a single direct funding program for adults with a developmental disability. As part of this transition, the Ministry will be undertaking a review of SSAH program administration funding and guidelines. The Ministry will also review the administrative costs for the Passport program.