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## CHAPTER ONE

# Overview

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## THE MANAGEMENT AND USE OF CONSULTING SERVICES

This year's report contains a number of significant concerns about the government's management and use of consulting services. While findings relating to consulting services figured in several of our value-for-money audit reports, I would like to focus on two findings in this overview: the first is reported in Chapter Three, Section 3.01—Ontario Works Program, and the second is reported in Section 3.06—Consulting Services.

### ***ONTARIO WORKS PROGRAM***

In 1997, the Ministry of Community, Family and Children's Services engaged Accenture (formerly known as Andersen Consulting) as a consultant on its Business Transformation Project. This project involved a province-wide revision of the business processes for delivering the Ministry's social-assistance programs and the information technology system supporting those processes. By March 31, 2002, Accenture had been paid about a quarter of a billion dollars (\$246 million), out of total project costs of over \$400 million, to provide an information-technology-based service-delivery system. As detailed in Chapter Three, Section 3.01, the system was seriously flawed and was characterized by its principal users as being, in many respects, a step back from what had been available to them previously. For example, the system:

- failed in many ways to meet ministry and municipal service-manager needs;
- made unexplained errors—for example, the system inexplicably sent about 7,000 payments totalling \$1.2 million to ineligible individuals; and
- had internal control deficiencies that exposed the Ontario Works program to an unnecessary risk of misappropriation of funds.

In many respects, I consider the Ministry's involvement with Accenture to have been a very expensive lesson in how not to implement a new IT-based service-delivery system. Making the system work properly may well take much more time and will certainly take many more taxpayers' dollars. The way in which the Ministry applied the common purpose procurement process to acquire the consulting services in this case meant that the taxpayer took virtually all the financial and performance risks and the consultant reaped a disproportionately large share of the financial rewards.

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## **CONSULTING SERVICES**

We noted a dramatic increase in the government's reliance on consultants over the last five years. Specifically, total consulting expenditures have more than doubled since 1998 (from \$271 million in 1997/98 to \$662 million in 2001/02), with expenditures for IT consulting tripling (from \$100 million to \$313 million) and for management consulting increasing four-fold (from \$40 million to \$152 million). We therefore decided to conduct a value-for-money audit on consulting services at six selected ministries.

As detailed in Chapter Three, Section 3.06, we found that the ministries frequently did not obtain value for money when using consulting services. Of particular concern was the practice of engaging consultants on a per diem basis and not on the basis of clearly defined deliverables at a fixed price, especially in the development of multi-million-dollar IT projects. As a result, the ministries assumed the risks of consultants not delivering on time and of having to pay the cost of missed deadlines and cost overruns. We also noted other obstacles frequently hindering the attainment of value for money, such as a heavy dependence on the use of consultants, not selecting and acquiring consulting services on a competitive basis, and significant weaknesses in controls over payments to consultants. As well, we noted that the vendor-of-record guidelines established by Management Board Secretariat were ambiguous in some respects and were therefore difficult for ministries to apply.

Many of the obstacles noted above could have been overcome if the ministries had rigorously adhered to the rules set out by the Management Board of Cabinet regarding the acquisition and use of consulting services.

## **ACCOUNTING FOR THE GOVERNMENT'S FINANCIAL ACTIVITIES**

### ***AUDITOR'S REPORT ON FINANCIAL STATEMENTS***

My opinion on the financial statements for the year ended March 31, 2002, which is clear of any qualifications or reservations, also covers the restatement of prior years' financial results presented in the province's statements this year. This restatement, which is discussed further in Chapter Five, largely resulted from the provisional recording of the substantial tax-remittance error made by the federal government's Canada Customs and Revenue Agency.

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## **THE STRANDED DEBT OF THE ELECTRICITY SECTOR**

As discussed more comprehensively in Chapter Five of this report, in my view there is an increasing risk that the stranded debt of the electricity sector, which is to be recovered from electricity ratepayers, may ultimately become, in part or completely, a liability of Ontario's taxpayers. I am of this view because the stranded debt has increased by about \$700 million since the restructuring of the electricity sector on April 1, 1999 and because the financial performance of the electricity sector in the year ended March 31, 2002 was well below expectations and resulted in Ontario's taxpayers absorbing \$341 million of electricity sector costs. As well, the earliest estimated defeasance date of the stranded debt has been delayed by two years, from 2010 to 2012.

In future considerations of privatizations in the electricity sector, I urge the government to carefully evaluate the impacts of each privatization on both the ratepayers' ability and the time required to defease the stranded debt.

## **MORE CONSISTENT AND INCLUSIVE ACCOUNTING**

As explained in more detail in Chapter Five of this report, I am pleased that the government has announced its intention to adopt consistent accounting rules for all financial reports by converting Ontario's legislative spending control to the accrual basis of accounting. In past years, I urged the government to make this change so that the budget, the financial statements in the Public Accounts, and the Estimates (Appropriations) would all use the same accounting rules. In Chapter Five, I illustrate the impact of the accounting inconsistencies on 2000/01 health-care spending and on 2001/02 corporate tax revenue. The government plans to overcome this kind of inconsistency beginning in the 2003/04 fiscal year.

The government also announced that, effective April 1, 2003, it plans to account for tangible capital assets by recording them as assets and amortizing them over their useful life. This practice is similar to that followed in the private sector and would supersede the current practice of recording the assets as expenditures when they are paid for. This planned change represents, as outlined in Chapter Five, the implementation of an accounting standard of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants whose adoption I have been recommending for several years.

In Chapter Five of this report, I also advocate that the government include in its financial reporting those financial activities of school boards, universities, colleges, and hospitals that it has determined to be under its control. Such an accounting should present to Ontario's taxpayers the extent to which these organizations' actual expenditures, revenues, tangible capital assets, other assets, liabilities, and debts are controlled by the government.

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# BETTER INFORMATION FOR DECISION-MAKING

As I have emphasized in previous reports, having good information for decision-making is essential. Appropriate, reliable, and timely information enables decision-makers to accurately assess the economy, efficiency, and effectiveness of government programs and activities. Such information provides a critical base for decision-makers to decide whether to continue, discontinue, or change government programs and activities, including the use of alternative service delivery or common purpose procurement. Good administration of public funds depends on good decisions based on good information.

One of the significant themes of my Annual Report this year, as in past years, is that ministries still require improvements in the quality of their information about the economy and efficiency of the programs and services they deliver. We found that ministries often lacked adequate procedures for measuring and reporting program effectiveness, especially for those programs funded through transfer payments. Obtaining such information would offer significant opportunities to improve decision making, which would lead to an improved administration of public funds.

Many services paid for by government are being provided by service-delivery agents, and the government does not have access to information about the day-to-day operations of such agents. Since about half of our tax dollars go to these agents in the form of transfer payments, it is vital that the government know the extent to which they are achieving intended results and whether or not taxpayers are receiving value for money spent. The key to obtaining this knowledge is ensuring the availability of appropriate, reliable, and timely information.

## TOWARDS BETTER ACCOUNTABILITY

As in previous reports, Chapter Two of this report highlights the importance of enacting my Office's long-standing proposed amendments to the *Audit Act* and the continuing need for a legislated accountability framework for the broader public sector. Chapter Two also discusses the Ontario Innovation Trust—specifically, the inadequacy of its accountability to the Legislature for the large sums of money transferred to it.

## VALUE-FOR-MONEY AUDIT REPORT SUMMARIES

The following are summaries of the 11 value-for-money audits reported on in Chapter Three of this Annual Report.

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### 3.01 Ministry of Community, Family and Children's Services Ontario Works Program

Under provisions of the *Ontario Works Act*, the Ontario Works program of the Ministry of Community, Family and Children's Services provides employment and temporary financial assistance to individuals on condition that they satisfy requirements intended to help them find and maintain paid employment. For the 2001/02 fiscal year, the Ministry's share of financial assistance provided to individuals was approximately \$1.4 billion. The Ministry's share of costs for program administration was \$171 million.

Since 1997, the Ontario Works program has been subject to a much needed and complex Business Transformation Project. (We previously reported on this project in our 1998 and 2000 reports.) This Project included the engagement of Accenture (formerly Andersen Consulting) to develop a new service delivery system under a Common Purpose Procurement (CPP) agreement. The intent of CPP was for the Ministry to work closely with the selected private-sector vendor to develop and implement new ways of delivering services and, in so doing, share the investment in and risks and rewards of the project. However, we concluded that the Ministry did not meet this objective in that it accepted most if not all of the risk for the Business Transformation Project while Accenture received a disproportionate amount of the rewards. Specifically we found:

- As of March 2002, the Ministry had paid Accenture \$246 million, which is significantly more than the \$180-million payment cap agreed to.
- The savings attributed to the Business Transformation Project and hence to Accenture were exaggerated.
- We reviewed the new service delivery system, which was fully implemented in January 2002, and we shared the view of municipal service manager staff that the system was in many respects a step back from what had previously been available to them, that it had been inadequately tested, and that it was not a finished product at the time of its release.
- Our own testing found that the new service delivery system had numerous unresolved defects, such as failing to provide certain needed information and providing information that was often inaccurate or in a form that was not useful. There were unexplained errors—for example, benefit payments totalling \$1.2 million were sent to ineligible individuals—and there were significant internal control deficiencies.

With respect to the administration of the Ontario Works program, we concluded that the Ministry had little assurance that only eligible individuals received the correct amount of financial assistance. The primary reason for this was that ministry requirements for municipal service managers to determine recipient eligibility for financial assistance and to provide that assistance in the correct amount were often not met. For example, in the case of one of the service managers that we visited, 95% of the files we reviewed lacked at least one of the information requirements necessary to establish eligibility and to ensure the correct amount of assistance is paid.

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We made recommendations for improving program delivery and received commitments from the Ministry that it would take corrective action.

### 3.02 Ministry of Finance Corporations Tax

Generally, the *Ontario Corporations Tax Act* imposes taxes on all corporations that have a permanent establishment in Ontario or that owned and received income from or disposed of real property in Ontario. For the 2001/02 fiscal year, the province recorded approximately \$6.6 billion in corporations taxes (\$9.2 billion for the 2000/01 fiscal year). The tax collection effort was carried out by 770 staff and cost about \$45 million, of which 90% was for salaries and benefits.

We concluded that where corporations did not voluntarily comply with the provisions of the *Ontario Corporations Tax Act*, the Ministry did not have adequate policies and procedures in place to ensure that the appropriate amount of corporations tax was being declared and remitted by taxpayers in accordance with statutory requirements. It is our view that, as a result, the tax gap with respect to provincial corporations tax—that is, the difference between the amount of corporations tax actually collected and the amount that should be collected—may well be substantial. In this regard, we found that the Ministry did not assess or evaluate the extent to which the overall tax gap affected provincial corporations tax revenue, or the collection effort.

We noted an increase in the extent to which corporations did not voluntarily comply; of the 763,000 corporations with active accounts on the Ministry's tax roll, 355,000 corporations—or one in two—did not file required returns. In 1996, at the time of our last audit, about one in five corporations did not file required returns.

We also noted that the Ministry did not regularly compare all active registrants in the Ministry of Consumer and Business Services' (MCBS) database with those on the corporations tax roll to ensure that all corporations that are registered with MCBS and are required to file a tax return continue to be included in the corporations tax roll.

With respect to its function of auditing corporations tax returns, we found that for corporations with annual gross revenues of \$500,000 and over, the number of desk audits completed was about half of the number planned. For the corporations that have gross revenues under \$500,000, which represent about 87% of the total number of corporations on the tax roll, very few field or desk audits were performed. Although the Ministry has made a deliberate decision to rely on the Canada Customs and Revenue Agency for the audit of smaller corporations, we noted that it had not obtained the necessary information to assess whether such reliance is justified.

We made a number of recommendations for improvement and received commitments from the Ministry that corrective action would be taken.



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### 3.03 Ministry of Health and Long-Term Care Community Mental Health

Through its Integrated Health Care Program, the Ministry provides transfer payments to community agencies or general hospitals to deliver community-based mental health programs and to help cover the costs for sessional fees, homes for special care, and other housing with supports for individuals with mental illness. During the 2001/02 fiscal year, the Ministry provided approximately \$390 million in transfer payments for community-based mental health services. The Ministry estimated that approximately 2.5% of the population of Ontario, or 300,000 people, are seriously mentally ill.

We concluded that many of the fundamental issues and concerns identified in our audits over the last 15 years had not been comprehensively addressed. In particular, except in the case of assertive community treatment teams, the Ministry still had not clearly defined its expectations for community mental health. We also found that:

- In many areas of the province there is still no comprehensive source of information about available mental health services or how to access those services. In addition, there is minimal co-ordination among agencies providing services.
- The Ministry did not have sufficient information to enable it to assess whether mentally ill people were adequately cared for and whether funding provided for community-based mental health services was being prudently spent.
- The Ministry was not tracking the number of people receiving or waiting for community mental health services or the waiting times to access services. This limited its ability to assess whether there were sufficient and appropriate resources to meet the needs of the seriously mentally ill.
- The Ministry had not determined the number or type of housing spaces required to meet the needs of seriously mentally ill individuals or whether existing housing was meeting the needs of the individuals already housed.

Also, the Ministry had not given sufficient consideration to the funding of community mental health agencies based on an assessment of the number of patients requiring services and the complexity of patients' needs.

- In the seven regions of the province, annual per capita funding for community mental health services ranged from \$11 to \$60. The funding was primarily historically based, rather than being based on the relative need for services and the costs of delivering services in different regions of the province. Funding based on assessed need helps ensure that individuals with similar needs have access to similar services regardless of where they live in the province.
- Since 1992, there have been no increases in base funding provided to community mental health agencies for programs that were operating at that time. One district

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health council noted that this forced community mental health agencies “to reduce services to the seriously mentally ill in order to stay within existing base budgets.”

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

### **3.04 Ministry of Health and Long-Term Care Long-Term Care Facilities Activity**

Long-term-care facilities provide care and services to individuals who are unable to live independently at home and require the availability of round-the-clock nursing service to meet their daily nursing and personal care needs. These facilities comprise nursing homes and homes for the aged.

The Ministry’s key responsibility regarding the operations of long-term-care facilities is to ensure that they are delivering services to residents in accordance with their service agreements with the Ministry and in compliance with applicable legislation and ministry policies. For the 2001/02 fiscal year, long-term-care facilities received approximately \$1.6 billion in funding from the Ministry and approximately \$793 million in accommodation payments from residents.

We concluded that, in certain significant respects, the Ministry did not have all of the necessary procedures in place to ensure that long-term care resources were managed with due regard for economy and efficiency and that long-term care facilities were complying with applicable ministry policies. A number of our concerns were also reported on in our 1995 Annual Report. Our main concerns were as follows:

- The Ministry had not developed facility staffing standards or models for staff mixes for providing quality care. Accordingly, the Ministry did not have a sufficient basis for determining appropriate levels of funding.
- The Ministry had not addressed the results of a 2001 consulting report that noted that residents of Ontario’s long-term care facilities received fewer nursing and therapy services than those in similar jurisdictions with similar populations.
- Although the Ministry inspected all long-term-care facilities in 2001, it did not adjust the depth of its inspections for facilities with a history of failing to meet ministry quality standards. We also noted that, contrary to legislation, none of the nursing homes in Ontario had current ministry-issued licences at the time of our audit. At least 15% of licences had expired more than one-and-a-half years ago. As well, most nursing homes that opened after 1998 had never been issued a licence.
- The Ministry was not adequately tracking complaints, unusual occurrences, and outbreaks of contagious diseases to identify and resolve systemic problems.
- Surplus funds were not being recovered from facilities on a timely basis. Ministry delays in completing reconciliations for the 1999 calendar year resulted in approximately \$5 million in interest expenses being passed on to the taxpayers.



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We also concluded that the Ministry's procedures for providing accountability to the public and ensuring that facilities provide services efficiently and effectively were impaired by:

- insufficient financial information from facilities to allow the Ministry to determine whether funds had been used in accordance with the Ministry's expectations; and
- the lack of outcome measures to address the appropriateness of services provided, including the quality of care received by residents.

Through its long-term-care redevelopment project, the Ministry allocated funding to build new long-term-care facilities containing approximately 20,000 new beds to regions of the province where the need for additional beds was the greatest. The Ministry was also providing financial assistance to ensure existing facilities meet minimum structural and environmental standards. However, the Ministry did not have a process in place for periodically reviewing whether its target of 100 beds per 1,000 individuals aged 75 and over was appropriate.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

### **3.05 Management Board Secretariat Electronic Service Delivery**

Many governments, including Ontario, are increasingly using electronic means to provide information about government services to individuals and businesses, as well as to deliver some of those services. This method of providing services is known as electronic service delivery (ESD). Through ESD, the government is organizing and integrating services through call centers, interactive voice response systems, Web sites, e-mail, fax, CD-ROM, public access terminals and kiosks, and electronic payment systems.

In June 2000, the Management Board of Cabinet approved a government-wide ESD strategy aimed at improving the quality of service to Ontarians and businesses by providing client-focused, integrated, accessible, and cost-effective government services electronically. The government plans to have over 80% of the services it delivers available through electronic means by 2003. The Management Board Secretariat (MBS) is responsible for the government's ESD strategy.

The government has set ambitious targets for ESD and is committed to increasing "Ontarians' satisfaction with government services by becoming a world leader in delivering services on-line" by 2003. Although significant strides have been made in implementing ESD to date, we concluded that the government will likely fall short of meeting its ESD targets if it does not accelerate the pace of ESD implementation. A more proactive and hands-on central management of the ESD initiative is needed. In addition, we noted that communications efforts to promote ESD have been insufficient to increase public awareness and use of services delivered electronically.

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We reviewed four high-impact service delivery projects at the ministries we visited and noted that there was room for improvement with respect to a number of security and service availability issues.

We made recommendations for improvements in each of these areas and received commitments from the Ministry that the necessary corrective actions would be taken.

### **3.06 Management Board Secretariat and the Ministries of the Environment, Finance, Health and Long-Term Care, Natural Resources, and Public Safety and Security Consulting Services**

Consulting services, as defined under the Management Board of Cabinet Directive on Consulting Services (Directive), are services provided for a fee, on the basis of a defined assignment, and relating to management consulting, information technology (IT) consulting, technical consulting, and research and development.

Over the past five years, there has been a substantial increase in annual consulting services expenditures at Ontario ministries, from \$271 million in 1998 to \$662 million in 2002. Our audit encompassed the following six selected ministries (the Ministries): Management Board Secretariat (MBS), Environment, Finance, Health and Long-Term Care, Natural Resources, and Public Safety and Security (Public Safety and Policing Services Divisions, constituting the former Ministry of the Solicitor General). For the 2001/02 fiscal year, these ministries incurred \$293 million in consulting services expenditures.

Our audit concluded that, in many respects, consulting services were not acquired and managed with due regard for value for money. The following is a summary of our major concerns:

- There was a heavy dependence on the use of consultants. Hundreds of consultants were engaged at per diem rates that were on average two to three times higher than the salaries of ministry employees performing similar duties. For instance, over half of the IT workforce at the Ministry of Public Safety and Security was made up of consultants, including 40 former ministry employees who, within a few days of having left the Ministry, returned at per diem rates that were more than double their salaries as employees.
- The Ministries often awarded continuous agreements to the same consultant with little or no change to the original deliverables. For example, a consultant engaged by the Ministry of Health and Long-Term Care on a six-month assignment at \$96,000 was awarded successive contracts that extended the term to two years and resulted in a total cost of \$360,000. The consultant was eventually replaced with a full-time staff member at an annual salary of approximately \$60,000

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- In the development of multi-million-dollar IT projects, the Ministries often engaged consultants on a per diem basis to do the work instead of calling for open tender. This lack of open tendering did not ensure that the most qualified consultants were acquired at the best available price and that all suppliers of consulting services were given fair access and treated in an open and transparent manner. In addition, by compensating consultants on a per diem basis and not on the basis of a fixed price and fixed deliverables, the Ministries assumed the risk and cost of consultants not delivering their work on time, even when such problems may have been caused by unsatisfactory performance and inefficiencies on the part of the consultants.
  - A forensic accounting firm was engaged by MBS to review certain real-estate transactions entered into by the Ontario Realty Corporation. While its estimated fees ranged from \$150,000 to \$500,000, the firm was paid almost \$6 million for expanded work, and a new contract was not entered into to reflect the revised scope and objectives of the ongoing investigative work.
  - The Ministries frequently did not ensure that consultants' provincial taxes were in good standing. At MBS, two consultants in our sample had tax arrears of approximately \$110,000 and \$35,000 respectively. At the Ministry of Public Safety and Security, two consultants who received contracts were in default for not filing corporate tax returns.
  - There were significant weaknesses in controls over payments to consultants. For example:
    - The Ministry of the Environment and the Ministry of Public Safety and Security made numerous payments to consultants that exceeded the ceiling price of contracts. We found no evidence of prior approvals by the Deputy Minister or designate as required by the Directive.
    - At MBS, one consultant's rates were permitted to increase significantly, from \$725/day in April 2000 to \$1,800/day in May 2000 and to \$2,600/day in September 2000, without documented rationale for these large increases. As well, one consulting firm was reimbursed for meal charges at ten times the rates allowed to government employees.
    - At the Ontario Realty Corporation (ORC), one consulting firm was paid over \$1 million even though it only had written agreements with ORC that together had a billing maximum of \$210,000.

We made a number of recommendations for improvement and received commitments from all the Ministries that they would take corrective action.

### **3.07 Ministry of Natural Resources Ontario Parks Program**

The Ontario Parks Program of the Ministry of Natural Resources is responsible for managing provincial parks and protected areas in support of the Ministry's vision of

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sustainable development of natural resources and its mission of managing such resources for ecological sustainability. The primary objectives of the Program are to protect natural resources, provide recreational opportunities, develop tourism, and enhance appreciation of the province's natural and cultural heritage. At the time of our audit there were 277 provincial parks covering over 70,000 km<sup>2</sup>.

Overall, we concluded that, in many respects, the Ministry did not ensure compliance with the legislation and policies designed to ensure the sustainable use and development of park resources and that the Ministry did not have adequate procedures in place to measure and report on the effectiveness of the Program. In addition, we noted a number of instances where procedures to ensure due regard for economy and efficiency needed to be improved. Specifically, we observed the following:

- The enforcement activity that was carried out was inadequate in that over 70% of park superintendents indicated that parks were not being effectively patrolled. As a result of the Ministry's not meeting its protection mandate, natural resources had been adversely affected and in some cases destroyed.
- The Ministry had management plans in place for only 117 of the 277 provincial parks. Such plans are essential if animal and plant life resources are to be managed and protected. We noted instances where inadequate planning and a lack of action resulted in uncontrolled wildlife growth and habitat destruction that threatened the sustainability of other species.
- The Ministry did not have an overall strategy in place to manage species at risk of extinction in the province even though the *Endangered Species Act* has been in force since 1971. Of the 29 species deemed by regulation to be at risk, only five had recovery plans in place. Three species that did not have recovery plans in place can no longer be found in Ontario.
- Customer service standards were not met for the parks' Computer Reservation and Registration Accounting System that was operated by a private service provider. Over 65% of our sample telephone calls were not answered either because of a busy signal or because we were put on hold for 15 minutes, after which time we hung up the phone.

We made recommendations for improvements in each of these areas and received commitments from the Ministry that it would take corrective action.

### **3.08 Ministry of Public Safety and Security Community Services Program**

The Ministry's Community Services Program is responsible for supervising all adult offenders (18 years of age and older) and young offenders (16 to 17 years of age) who are under some form of conditional release—that is, who are on probation, serving a conditional sentence, or on parole. The objectives of the Program are to protect the public by monitoring offenders in the community and to rehabilitate offenders through training,

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treatment, and services that afford them opportunities for successful personal and social adjustment in the community.

On any given day, there is an average of 65,000 offenders being supervised by the Ministry in the community. Of these offenders, 95% were on probation, 4% were serving conditional sentences, and the remaining were on provincial parole.

At March 31, 2002, the Ministry employed approximately 770 probation and parole officers throughout the province. In addition, as part of the Program, the Ministry contracts with selected community agencies to provide a variety of counselling and treatment programs. In 2001/02, total program expenditures amounted to approximately \$82 million.

Since our last audit in 1995, the Ministry, in 1999, initiated a new offender management model, which highlights offenders' correctional needs that should be addressed to effectively reduce the risk of offenders reoffending. While we acknowledged that the Ministry was in the process of implementing this new model, we concluded that there were a number of deficiencies in its procedures that hindered the effective supervision of offenders in the community. For instance:

- At the offices we visited, over 40% of offenders who had committed additional “level I” offences while under ministry supervision lacked a risk and needs assessment and/or a management plan. (Level I offences include sexual assault, assault causing bodily harm, uttering death threats, and other violent crimes.)
- At the five offices we visited, of the cases involving level I offenders who later committed additional offences while under supervision, we noted that over 30% had not been followed up on a timely basis after the offender failed to comply with the conditions of their supervision.
- We estimated there were approximately 10,000 arrest warrants outstanding for offenders in the community, including some that had been issued as far back as 10 years. Many of these offenders were assessed as high risk and had committed serious offences, such as sexual assault and assault causing bodily harm. The Ministry did not know how many of the offenders against whom there were arrest warrants outstanding were still at large.

While we recognize that once a warrant is issued, the police—not ministry staff—are responsible for apprehending the offenders, the Ministry and the police need to work more closely together so as not to expose the community to significant risk.

- According to a ministry report, correctional programs for offenders were often not available in their local community. For example, of the over 3,000 sex offenders being supervised by the Ministry, fewer than 600 received appropriate rehabilitation programs.

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We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action.

### **3.09 Ministry of Public Safety and Security The Ontario Parole and Earned Release Board**

The Ontario Parole and Earned Release Board (Board) makes decisions about parole for offenders sentenced to less than two years of imprisonment. Offenders are eligible for parole upon serving one-third of their sentences. Offenders that are granted parole serve the full length of their sentences (one-third in an institution followed by two-thirds in the community under supervision and conditions set by the Board); offenders that are not granted parole are released from an institution after serving two-thirds of their sentences. Effectiveness in contributing to the safety of society requires the Board to help more low-risk offenders successfully reintegrate into the community by controlling the timing and conditions of their release.

For the 2001/02 fiscal year, the Board had four full-time and over 40 part-time members with total expenditures of approximately \$3 million. In the 2000/01 fiscal year, there were approximately 2,100 parole hearings, of which 28% resulted in parole being granted.

We concluded that the Board's mandate of protecting society by effectively reintegrating offenders into the community was hindered by a dramatic reduction in the number of eligible inmates being considered for parole. The decline in the number of hearings from 6,600 to 2,100, combined with a steady drop in parole grant rates from 59% to 28%, has resulted in fewer than 600 inmates being granted parole in 2000/01, as compared to 3,800 in 1993/94.

According to board studies, factors contributing to this decline included inmates not receiving the required parole information and inmates waiving parole hearings because they felt there was little chance of getting a fair and unbiased hearing. As well, significant numbers of offenders were denied the opportunity to have their cases heard as a result of widely differing practices among different regions.

In addition, we found that although Ontario's parole grant rates have significantly declined since 1993/94, its rates of parolees re-offending during parole have been generally higher since that same time. This situation requires research by the Board to determine what further action, if any, is required.

We also noted that:

- The Board often did not obtain all relevant information before rendering parole decisions, nor did it record the rationale for its decisions to not impose special conditions that were recommended by parole officers or police.
- The Board set performance goals for 2001/02 that were below those already achieved; thus, its goals do not serve to encourage an improvement in board performance.



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- Ontario had no formal selection process to assess the abilities, skills, commitment, and suitability of potential board members, nor did the Board have the opportunity to provide input on the initial screening of potential candidates.

We made a number of recommendations for improvement and received commitments from the Board that it would take corrective action.

### **3.10 Ministry of Tourism and Recreation Tourism Program**

The Ministry of Tourism and Recreation estimates that the tourism industry employs approximately 500,000 people and generates \$17 billion for the Ontario economy. The Ministry's Tourism Program (Program) is responsible for promoting tourism in Ontario. The role of the Ontario Tourism Marketing Partnership Corporation (Corporation), a ministry agency, is to market Ontario as a tourist destination. For the 2001/02 fiscal year, tourism operating expenditures totalled \$83 million, of which \$52 million was spent by the Corporation.

Ministry statistics indicate that the number of tourists visiting Ontario has gradually declined over the past 10 years. The decline results from a 25% decrease in the number of domestic tourist visits (including those made by Ontario residents), which was partially offset by an increase in international tourist visits.

We concluded that the Ministry and the Corporation did not have sufficient procedures to measure and report on the effectiveness of the Program in promoting tourism in Ontario. In its annual business plan, the Ministry did not report the actual results achieved for any of its previously published performance measures, and, after three years of operation, the Corporation had not submitted an annual report to the Legislature as required.

Given the significance of tourism to the Ontario economy, we also concluded that the Ministry needs to take a leadership role in developing a long-term tourism strategy to help co-ordinate the activities of the many organizations that contribute to the promotion of tourism in the province. We also found that the Ministry and the Corporation did not have adequate procedures in place to ensure that the Program was delivered with due regard for economy and efficiency. Specifically, we noted the following:

- There was no process in place to collect information on the tourism-related activities undertaken by other ministries or on the financial support provided by other ministries to the tourism industry. As a result, there was a risk of overlap and duplication of tourism-related programs and services.
- Tourism publications were not sufficiently comprehensive and were not published on a timely basis. For example, the Corporation's main tourism guide lists only 1,400 of an estimated 8,000 tourism facilities, and the 2001/02 winter events guide was not published until December 2001 and contained listings for events that had already taken place.

- The promotion of accommodation rating systems in Ontario has not been adequately co-ordinated between the ministries and the private sector. As a result, Ontario is one of only a few leading tourist destinations that does not have province-wide quality standards.
- In many instances, the acquisition of management consulting services was not justified by a business case, nor were related contracts signed on a timely basis. Moreover, several contracts were awarded directly to the vendor without competition, and other projects were split into separate contracts, thus allowing the Ministry to avoid open competition requirements.

We made recommendations for improvements in each of these areas and received commitments from the Ministry that it would take corrective action.

### **3.11 Ministry of Training, Colleges and Universities Training Division**

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

Division expenditures for the 2001/02 fiscal year totalled \$346.3 million. Our audit focused on the following major programs: Job Connect; Summer Jobs Service; Apprenticeship; and Literacy and Basic Skills. These programs account for approximately 75% of the Division's expenditures.

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

We concluded that the systems and processes necessary to ensure that services are delivered economically and efficiently and that the programs' objectives and expected outcomes were being achieved had not been completed. Some of our specific observations included:

- Efforts to co-ordinate enforcement responsibilities and share information with the Ministry of Labour and other bodies responsible for workplace inspections have not been sufficient to determine the extent to which uncertified individuals are working in restricted trades. Effective enforcement of restricted trades is necessary to ensure

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legislated objectives for protecting public and workplace safety are met and to maintain the value of obtaining certification in restricted trades.

- The Ministry was not monitoring the quality of apprenticeship training provided by employers and in-school training providers.
- The Ministry had not linked funding for providers of in-school apprenticeship training and for delivery agencies of Literacy and Basic Skills services to their performances in providing quality training. The systems and procedures needed to collect and report meaningful performance information were under development.

We also found that the Ministry did not adequately control the acquisition and management of about \$11 million worth of consulting and other services that were acquired on the Ministry's behalf through not-for-profit agencies over the last several years. In particular, the Ministry did not adhere to prudent purchasing practices and did not obtain the approvals from the Minister and Management Board of Cabinet that would have been required if the projects had been undertaken and the services acquired by the Ministry directly. Our findings included that:

- Services amounting to about \$8 million were acquired from private-sector suppliers with little or no competition.
- GST charges totalling \$600,000 were incurred because the agencies were not GST-exempt—\$235,000 of that amount was overbilled and should be recovered.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take corrective action. Some corrective actions were underway at the time of our audit.