ServiceOntario

Background

ServiceOntario is a distinct and separate part of the Ministry of Government Services (Ministry) that, since 2006, has had a mandate to provide centralized service delivery to individuals and businesses seeking government information and to process routine transactions such as registrations and licensing. It is one of the largest and most diverse government customer service operations of its kind in North America. It administers several programs involving:

- vital events, such as birth, marriage and death certificates;
- business services, including company registration;
- personal property security registration and services, such as liens on vehicles; and
- land registration, searches and title services.

ServiceOntario delivers these services in-house, except for an arrangement with Teranet Inc. (Teranet), which has been under contract since 1991 as the exclusive provider of Ontario's Electronic Land Registration System.

ServiceOntario also provides for 14 other ministries high-volume, routine transactions, most significantly driver licensing renewals and vehicle registration, transferred from the Ministry of Transportation (MTO) in 2007; and health-card renewal and registration, transferred from the Ministry of Health and Long-Term Care (Health) in 2008.

Other products and services provided by ServiceOntario include:

- outdoors cards and fishing and hunting licences for the Ministry of Natural Resources;
- intake services on behalf of some ministries, such as payments to the Minister of Finance; and
- operating contact centres for various ministries, including Labour and Finance.

Service-level agreements with the ministries set out the roles and responsibilities transferred to ServiceOntario and those that remain with the transferring ministry. ServiceOntario provides its services under a legislative framework involving more than 30 statutes.

ServiceOntario handles transactions primarily through two delivery channels: Internet or online access; and in-person service centres, which include 82 sites operated by ServiceOntario itself and 207 privately operated service provider sites. In addition, it provides information and referral services through its website and through seven ServiceOntario-operated telephone contact centres in Toronto, Oshawa, Thunder Bay and Kingston. Mail is also used to a lesser extent to receive applications and deliver products such as licences and

permits. As well, for several years ServiceOntario self-service kiosks were available at 71 locations, typically in malls. ServiceOntario discontinued kiosks in 2012, primarily due to security concerns.

In the 2012/13 fiscal year, ServiceOntario handled more than 35 million transactions, as shown in Figure 1. In-person service centres accounted for 70% of the transactions, and 30% were done over the Internet. ServiceOntario also handled about 12 million requests for information and referrals—55% of these were made online, 38% through the telephone contact centres and 7% at its in-person service centres.

In 2012/13, ServiceOntario, which has a staff of approximately 2,000, collected $2.9 billion in revenues, including $1.1 billion under MTO's driver's licence and vehicle registration programs and $1.5 billion under the land transfer tax program. ServiceOntario's expenditures totalled $289 million, 55% of which was spent by its Customer Care Division on operating costs for its in-person service centres and telephone contact centres, and on commissions for its private operators.

Changes made by ServiceOntario over the years have been driven by government direction, often as announced in the province's annual budget,

and guided by its internal strategic planning process. These changes have included developing the ServiceOntario brand name as a recognized customer-centred gateway for government service; improving and streamlining back-office operations and technology; integrating services for the public and businesses; making more services available online; improving service levels and timeliness of services, including offering money-back guarantees and premium options for certain services; and seeking out cost efficiencies in service delivery. In addition, since 2011, the government has directed ServiceOntario to explore opportunities for alternative service delivery, including greater private-sector involvement and capital investment.

Audit Objective and Scope

Our audit objective was to assess whether Service-Ontario had adequate systems and procedures in place to:
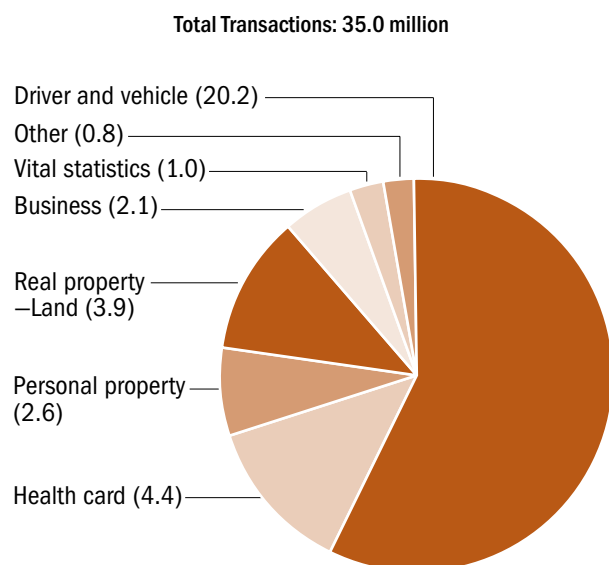
- provide the public with one-stop access to government information and routine transactional services in a timely manner with due regard for economy and efficiency and in compliance with legislation and program policy; and
- measure and report on the effectiveness of service delivery.

Senior management at ServiceOntario reviewed and agreed to our audit objective and criteria.

Our audit work included interviews with Service-Ontario management and staff, as well as reviews and analysis of relevant files, registration and licensing databases, and policies and procedures at ServiceOntario's head office, in-person service centres, contact centres and back-office operations across the province. We visited 14 ServiceOntario in-person service centres, including both publicly and privately run sites; three telephone contact centres; Teranet; and the service provider that manufactures and distributes photo identity cards, including driver's licences and health cards.

Figure 1: Number and Type of Transactions Handled, 2012/13 (million)
Source of data: ServiceOntario

Total Transactions: 35.0 million

Driver and vehicle (20.2)
Other (0.8)
Vital statistics (1.0)
Business (2.1)
Real property —Land (3.9)
Personal property (2.6)
Health card (4.4)

We interviewed several stakeholders who are major users of registration programs operated by ServiceOntario. We met with senior personnel from Health and MTO to solicit their views on their partner relationship with ServiceOntario. We conducted research into similar programs in other provinces and foreign jurisdictions. We also engaged an independent expert on public service delivery.

Summary

Notwithstanding its substantial accomplishments in centralizing services, ServiceOntario needs to improve in several key areas. It needs to continue to strengthen its systems and procedures in order to reduce service delivery costs, effectively monitor service levels and customer satisfaction, and reduce its risks in issuing and managing licences, certifications, registrations and permits. In particular, ServiceOntario's Audit Oversight Unit had identified, and was working on addressing, an error rate for processing transactions that was too high at many of its in-person service centres.

We noted no significant backlogs or delays with most services provided by ServiceOntario, and ServiceOntario is generally meeting certain service-level targets, which were for the most part at reasonable levels compared to other provinces. Ontario was the first jurisdiction in North America to offer money-back guarantees on the prompt processing and delivery of some services, including birth and marriage certificates and personalized licence plates. ServiceOntario fulfills its goals on these transactions virtually 100% of the time. However, if ServiceOntario is to further improve the delivery of cost-effective services to Ontarians, action is needed in the following areas:

- In the 2012/13 fiscal year, only 30% of ServiceOntario transactions were done online, well short of ServiceOntario's forecast of 55% to 60%. Further savings could be achieved if ServiceOntario had an effective strategy to encourage people to switch to doing business online instead of in person. For instance, we estimated that ServiceOntario's operating costs would decrease by approximately $2.9 million annually if 50% more licence plate sticker renewals were done online.
- ServiceOntario has made improvements to its website services, but its online customers' satisfaction rating has remained at 71% to 75% since 2009/10.
- ServiceOntario rated 43% of its 289 in-person service centres as high-risk locations because of the number of processing errors uncovered by its audits. These ranged from incorrect financial charges to missing signatures on health-card applications to renewing the wrong licence plate number or transferring a vehicle to a name other than the one on the application.
- In the fourth quarter of 2012/13, 98% of clients surveyed at in-person service centres reported they were either satisfied or very satisfied with the services they received. However, site managers are notified of the surveying days in advance, and counter staff are aware that clients could be questioned, which could skew the results on those days, making the survey of questionable value.
- ServiceOntario did not measure or report on the customer wait at peak times or at specific service centres, which often far exceeded its target time of 15 minutes.
- In 2012/13, none of ServiceOntario's seven telephone contact centres met its service standards for answering calls. The range of success in answering calls within targeted times was 51% to 77%, compared to its goal of 80%. This may be reflected in survey results that found the customer satisfaction level was 64% in the fourth quarter of 2012/13, down from the 70% maintained for several quarters previously. Clients' satisfaction level for timeliness of service was only 52%, down from 65%.

- ServiceOntario was still charging fees over and above what it costs to run certain registration programs. (A 1998 Supreme Court of Canada decision concluded that user fees could be repayable if the amounts charged were excessive and did not have a reasonable relationship to the cost of the services provided.) As well, user fees did not cover the full cost of certain other programs as required by government policies and guidelines.
- ServiceOntario had no plans in place to stop printing birth certificates on paper and switch to higher-security polymer (plastic) documents and a new design to minimize identity theft, forgery and loss, as recommended by the Vital Statistics Council for Canada. Eight other provinces have already switched to polymer documents.
- Significant fraud risk still exists 18 years after the government announced its plan to reduce costs by replacing the red-and-white health card, which has no expiry date, with the more secure photo health card. As of August 1, 2013, 3.1 million red-and-white cards remained in circulation, or 23% of the total of 13.4 million health cards issued in Ontario. The conversion rate has declined by about 45% since ServiceOntario assumed responsibility from Health in 2008. Full conversion is not expected until 2018.
- We estimated that as of March 31, 2013, approximately 1,500 people in Ontario had been issued duplicate health cards, increasing the risk of misuse. As well, more than 15,000 active health cards (including 6,000 red-and-white cards) and 1,400 driver's licences were circulating in the names of people who were reported to ServiceOntario as deceased.
- We also estimated that as many as 800,000 people with red-and-white health cards had old addresses attached to those cards compared to their driver's licence records. ServiceOntario did not cross-reference basic information such as addresses in databases even though they process both types of transactions. As well, approximately 166,000 active heath cards, including 144,000 of the red-and-white cards, were listed in the database as not having current addresses for the cardholders. This means there was no way to determine whether cardholders were residents of Ontario and thus eligible for coverage.
- ServiceOntario had weak processes for issuing and controlling accessible parking permits to ensure they were not being misused by people who did not require them.
- ServiceOntario staff did not verify that people registering large commercial farm vehicles—who are charged a reduced rate compared to individuals registering other commercial vehicles—were indeed farmers. An applicant merely had to tick a box on a form identifying that he or she was a farmer. We estimated that this weakness could be costing the province about $5 million annually in lost commercial vehicle registration fees.
- ServiceOntario did not obtain independent assurance that the performance reports on the province's land registry system operated by Teranet were complete and accurate, and that disaster recovery plans and security measures were validated routinely.

OVERALL SERVICEONTARIO RESPONSE

ServiceOntario appreciates the work of the Auditor General and her staff, and the valuable observations and recommendations provided as a result of this audit. We recognize that our transformational agenda is not yet complete. Promoting greater adoption of electronic services is a foundational component of our ability to drive service delivery change within government. We remain committed to championing and promoting the benefits of the online channel to our clients and ministry partners at every opportunity.

We will continue to operate in a cost-effective manner and leverage existing funds wisely, recognizing that some recommendations, such as examining the benefits and cost savings from introducing a smart card, may require additional investment.

As well, ServiceOntario will continuously improve oversight of the service delivery network. We will explore with ministry partners and consult with the Office of the Information and Privacy Commissioner to find acceptable ways for additional information-sharing, including short-term opportunities related to name changes.

All of these efforts are consistent with ServiceOntario's three key strategic priorities: to provide customer service excellence, to find cost savings and to protect the integrity of the programs we deliver.

Detailed Audit Observations

SERVICE DELIVERY COSTS

Use of Internet

To reduce costs, ServiceOntario is attempting to get Ontarians to complete as many eligible driver, vehicle and health-card transactions as possible online, rather than by visiting service centres in person. However, for the most common Service-Ontario transactions—issuing and renewal of a driver's licence or health card, vehicle registration and licence plate sticker renewal—people still most often go to service centres in person.

In its 2008 strategic plan, ServiceOntario forecast that 55% to 60% of all its transactions would be completed over the Internet by 2012. It wanted to reduce the number of transactions at in-person service centres to 30%, with the remainder handled at kiosks, which were subsequently closed in 2012

primarily due to security concerns. However, our audit found that ServiceOntario fell short of these targets. In 2012/13, 70% of all transactions were still done at in-person service centres and only 30% were done online. In fact, in-person transactions increased from 68% in 2011/12, mainly because the ServiceOntario kiosks were shut down. The majority of kiosk users switched to visiting in-person service centres rather than completing their transactions online.

ServiceOntario offers a number of driver and vehicle transactions online—most recently allowing qualified motorists to renew licences through its website. People who want to register changes of address, renew licence plate stickers, order personalized plates, order vehicle records or request used-vehicle information packages also may do so online. (With licence plate sticker renewals, people can complete the information and payment parts of the transactions online, and the stickers are then mailed to them within five business days.) However, it's clear that most people prefer to visit in-person service centres, where they receive personal assistance with these transactions. Of 20 million driver and vehicle transactions in 2012/13, approximately 900,000 (less than 5%) were completed online. Of approximately 6.6 million licence plate sticker renewals in 2012/13, almost 90% were done at in-person service centres.

It would save the government a significant amount of money if people could be persuaded to switch to online transactions. For example, Service-Ontario calculates that the direct cost to the government of a licence plate sticker renewal transaction online is $2.91, compared to $3.84 at a privately run in-person service centre and an average cost of $8.70 at a location operated by ServiceOntario. We estimate that if 50% more of these transactions were completed online, the government would save approximately $2.9 million annually. In addition, if more transactions were processed online, over time the cost per Internet transaction would decrease due to economies of scale.

ServiceOntario's success in having more people use the Internet has occurred primarily where, as with land registration and personal property security transactions, it has made the service available only online. Approximately 60% of ServiceOntario's 10.2 million website transactions occur for services that are available only online. In contrast, only 15% of people who had a choice opted for online transactions.

We noted that ServiceOntario has not extensively studied why Ontarians prefer to use in-person service centres instead of its online option. One reason might be that people prefer to have their documents, such as a registration, permit or licence, handed to them when they complete the transaction, rather than wait for delivery by mail at a later date. For instance, we noted that some other provinces and several American states no longer require that an annual validation sticker be attached to licence plates. The vehicle owner must still renew the plate registration annually and pay the fee, but this can easily be done online. The fact that there is no sticker eliminates the part of the transaction that may be discouraging people from using the online renewal method, particularly if they wait until the last minute—their birthday—to renew.

Another way to persuade people to do their transactions online would be to offer discounts on the website, or, conversely, charge higher fees for in-person services. As noted, it costs less to process transactions online, but these savings are not passed on to clients. ServiceOntario has no clear strategy on setting fees, either for programs it fully administers or for those it administers with other ministries, to encourage greater Internet usage. During the 2013 Ontario Budget process it proposed to the Minister of Finance that it raise fees for in-person transactions, but such increases were not approved. Currently, only ServiceOntario's business registration fees are structured this way. A premium ranging from 13% to 33% for some business transactions had been set prior to ServiceOntario's establishment in 2006. For example, it costs $300 to register the incorporation of a business online, and $360 if done by mail or at an in-person service centre.

In-person Service Centres

In addition to trying to redirect transactions to the Internet, ServiceOntario developed a retail operations optimization plan to streamline over-the-counter procedures and find cost savings by closing some of the in-person service centres it operates or by altering operating hours and improving staff productivity.

Of the 289 in-person service centres, ServiceOntario operates 82; the other 207 are owned by private operators who are paid a commission for each transaction they process. In 2012/13, the in-person service centres processed almost 25 million transactions, with 80% handled by the private operators. There is a significant difference in cost per transaction between the sites ServiceOntario runs itself and those run by private operators. The Ministry calculated that the average cost of transactions at its publicly run sites was $9.92, compared to the overall average commission of $3.30 per transaction paid to operators of privately run sites.

In addition, the operating costs of each publicly run service centre varied significantly, with the average cost of transactions at individual sites across the province ranging from $5 to $21. While we expected that rural and northern publicly run sites would have higher operating costs, we also found that many publicly run sites in large cities had relatively very high costs.

A number of factors contribute to the higher transaction costs at publicly operated in-person service centres. Publicly run in-person service centres generally are more costly to operate because they often have larger premises to maintain and greater overhead costs, including higher wages paid to more full-time staff. ServiceOntario pays a set commission rate to privately operated centres, which are typically small businesses that keep their overhead costs, including wages to staff, at levels that enable their owners to make a profit.

ServiceOntario limits services offered at privately operated in-person service centres to primarily high-volume health-card and driver and vehicle transactions, whereas publicly operated centres offer several more relatively low-volume services, including issuing fishing and wildlife licences and receiving landlord/tenant board filings.

In 2012/13, ServiceOntario closed six public in-person service centres, of which four were in southern Ontario, one in the east and one in the north. The decisions were based on having other nearby in-person service centres handle more transactions. This saved $2.5 million in 2012/13 and was expected to save $4.2 million in 2013/14. Service-Ontario advised us that no final decisions had been made about closing any more offices in 2013/14.

Many rural and northern ServiceOntario-run in-person service centres handle fewer transactions. Most are open five days a week for seven hours a day, just like high-volume locations. To reduce operating costs, ServiceOntario determined in 2012 that it should reduce operating hours for 23 rural and northern centres and open them only 2 to 3.5 days per week, depending on the location. As of June 2013, service hours had been reduced at five of these locations through the attrition of full-time staff, some of whom were then replaced with part-time workers. ServiceOntario has said it has no plans to lay off any staff to accommodate such changes. Further savings will be achieved more slowly through attrition. Once reduced operating hours are in effect for all low-volume locations, ServiceOntario expects that further savings will be $1.5 million annually.

Telephone Contact Centres

The cost of running ServiceOntario's seven call centres in the 2012/13 fiscal year was $38 million. Most of this was spent on about 350 staff, who provided callers with information and referrals but generally did not handle transactions. Service-Ontario had a plan in place to address staffing. As of 2011, ServiceOntario calculated that it could

most efficiently meet its service-level standards by employing a mix of 70% full-time staff and 30% part-time staff at each contact centre. This was designed to allow each centre the flexibility to have more staff answering phones at peak call-volume times. However, we found that ServiceOntario was still working on this and had made some progress through staff attrition, although six of the seven call centres had not yet met the 70/30 split. One centre had less than 10% part-time staff.

RECOMMENDATION 1

To help further reduce service delivery costs, ServiceOntario should:
- better identify the reasons people opt for in-person service rather than use the Internet, and examine possible changes it could make, including to its pricing strategy, to promote greater use of online transactions; and
- examine ways to expedite reducing operating costs at its publicly run in-person service centres to bring them closer to the already-lower cost of commissions paid at the privately run in-person service centres.

SERVICEONTARIO RESPONSE

We support the Auditor General's observation that the online channel represents a tremendous opportunity for government services in Ontario. During June to August 2013, ServiceOntario conducted research to better understand customer behaviour with respect to the use of our channels. The findings will result in a refresh of ServiceOntario's action plan by 2014 and will address possible promotional opportunities designed to encourage higher usage of the online channel.

ServiceOntario will continue its efforts to promote the online channel, including:
- continuing to expand our electronic suite of services;

- encouraging customers to use our online channel through various marketing efforts; and
- exploring different approaches to accelerate the shift online, potentially including a differential fee structure or mandatory use of electronic services.

In the last 15 months, ServiceOntario has realized savings by reducing its public in-person footprint and hours of service in some communities to more closely match operating hours with demand for services. We will continue to assess community needs and explore options to further reduce service delivery costs, while respecting our obligations as an employer.

SERVICE LEVELS

Service standards are public commitments to a level of service that customers can expect under normal circumstances; they typically address timeliness, accuracy and accessibility of a government service. Service standards are meant to be monitored and revised over time so that the government can improve its responsiveness to the public and operate more efficiently.

ServiceOntario has developed service standards for transactions involving programs it administers directly, and for the in-person services it provides for transactions administered on behalf of other ministries, such as driver and vehicle transactions (Ministry of Transportation) and health cards (Ministry of Health and Long-Term Care).

ServiceOntario offers a money-back guarantee for the prompt processing and delivery of a birth or marriage certificate, or personalized licence plates. Ontario was the first jurisdiction in North America to offer money-back guarantees on public services, and ServiceOntario meets its standards on these transactions virtually 100% of the time.

However, we found there was room for improvement in monitoring and reporting on wait times and levels of client satisfaction.

Wait Times

ServiceOntario does not publicly report its wait-time standards or actual wait times for the 82 in-person service centres it operates. Internally it has a target of a 15-minute average wait time. This falls within the Ontario Public Service Common Service Standards, which require a wait time in a queue to be less than 20 minutes unless otherwise communicated. We found that ServiceOntario had calculated the average wait times at its in-person service centres over the past four fiscal years as follows:

- 13.6 minutes in 2009/10;
- 13.3 minutes in 2010/11;
- 9.5 minutes in 2011/12; and
- 9.1 minutes in 2012/13.

This data is for only the service centres run by ServiceOntario. It started collecting wait-time data for the 207 in-person service centres run by private operators just last year.

The averaged, long-term data for in-person service centres run by ServiceOntario does not measure the wait customers can expect at peak times or at specific locations. We reviewed Service-Ontario reports on publicly run sites and noted that many larger urban sites had peak-time waits far greater than 15 minutes. Many had several days during the month in which the average wait time for the day exceeded the standard. It was not uncommon for wait times during peak hours to be 45 minutes, with some customers waiting more than two hours for service. However, when Service-Ontario averages these numbers over full days and over a month, the wait-time calculation usually falls within the 15-minute standard.

Some of ServiceOntario's privately run in-person service centres also experienced long wait times. Nineteen of those centres exceeded a 15-minute average wait time in 2012, and there was no reporting on peak times.

ServiceOntario has also established service levels for its seven telephone contact centres. The targets for the time in which 80% of calls should be answered are as follows:

- general inquiries: 30 seconds;
- driver and vehicle questions: two minutes;
- 24/7 health line: one minute;
- health information: two minutes; and
- business information line: 30 seconds.

These service levels adhere to Ontario Public Service Common Service Standards, which require that calls received through a call centre be answered within two minutes, unless otherwise communicated. In 2012/13, however, none of the seven contact centres answered 80% of the calls within the target times. The range of success was only 51% to 77%.

ServiceOntario determines how many staff each contact centre should have by calculating how many people are needed to reach the expected service level. However, we noted that one contact centre had fewer staff than the recommended number for the period we reviewed, and had poor service levels as a result. Another contact centre had more than the recommended number, and its service was relatively much better.

Client Satisfaction

ServiceOntario measures client satisfaction for its in-person service centres, Internet transactions and telephone contact centres.

For in-person service centres, it employs an independent survey company to poll 250 clients at publicly run sites and 250 at privately run sites each quarter to assess their overall satisfaction with the services they received.

Survey sites were chosen randomly, but regional representation was considered. Site managers were notified in advance of the survey, and on the day of the survey, the counter staff were fully aware that clients could be questioned by the survey company. Normally, clients were surveyed in the service centre lobby in front of counter staff. Thus, managers and counter staff would be highly motivated to provide their best customer service on survey day, making the survey results of questionable value.

In the fourth quarter of 2012/13, 98% of customers surveyed were satisfied or very satisfied with the service centres. Typically, customers who had to wait more than five minutes for service were less satisfied than those who were served faster. We asked ServiceOntario whether it might be better to use the "mystery shopper" technique to assess how counter staff handled customers and transactions; however, we were advised it would do so only under extraordinary circumstances. The same number of clients were surveyed both at publicly run and at privately run sites, even though privately run sites account for 70% of in-person service centres.

For Internet transactions, since 2008, customers have been asked to complete a short online survey at the end of the transaction; about 50,000 surveys are completed every quarter. While we expected that customer satisfaction would have grown with the improvements that ServiceOntario has made to its Internet services, the overall satisfaction rating has remained at 71% to 75% since 2009/10.

For the telephone contact centres, Service-Ontario began measuring customer satisfaction in 2008. Each quarter, an independent survey company questioned a sample of about 500 people who recently used the service. In the fourth quarter of 2012/13, the contact centre satisfaction level was 64%, down from the 70% that had been maintained for several quarters previously. For the specific question about timeliness of service, the satisfaction level was only 52%, down from 65%. These numbers indicate that ServiceOntario contact centre service requires substantial improvement.

ServiceOntario also set a target of having call-centre staff spend only 30% to 35% of their time on administration rather than than handling calls. From 2011 to 2013, the actual time spent at each call centre on non-phone duties, which include administration and customer follow-up work, was 35% to nearly 50%, which could have had a negative impact on customer service. However, ServiceOntario did not have a system that would allow it to better analyze non-phone duties, and was working on capturing this information at the time of our audit.

ServiceOntario also gathered data on turn-away rates for such things as health-card transactions and driver and vehicle transactions. Counter staff may turn away customers for a number of reasons: for instance, when they do not meet identification requirements, or when the computer system is down. However, while the number of people turned away was recorded, the reasons for turning them away were not. In addition, turn-away rates were gathered only for publicly operated in-person service centres; privately operated sites were not required to collect this information.

For health-card transactions, the customer turn-away target rate was not to exceed 12.8% (clients are typically turned away because they do not bring the identity or citizenship documents needed to complete a transaction). However, over the past two years, 15% to 17% of clients were turned away. In the 2012/13 fiscal year, some service centres turned away only 2% of customers, and others as many as 28%. Since turn-aways are at the discretion of the counter staff, ServiceOntario should confirm that its policies are applied consistently and should investigate the specific reasons that people are turned away in order to develop effective strategies to reduce such instances.

RECOMMENDATION 2

To ensure that ServiceOntario has appropriate management information that would allow it to further improve its service and increase client satisfaction, it should:

- collect data and report on peak-hour wait times at both the in-person service centres it runs itself and those run by private operators, as well as examine and address the reasons for long wait times at many of the large, urban in-person service centres;
- examine why none of the seven telephone contact centres met the service levels established for answering calls from the public, and take steps to improve client satisfaction ratings for these services as well as for online transactions;

- consider a method of surveying clients that is not done with full knowledge of counter staff at in-person service centres, who may then be highly motivated to provide their best service only on survey day; and
- devise a method for counter staff to report on why customers are turned away for such services as health-card and driver and vehicle transactions, and use this data to improve customer service where required.

SERVICEONTARIO RESPONSE

As noted by the Auditor, ServiceOntario has already achieved a 33% reduction in average wait times at our publicly operated offices since 2009/10. We will continue to evaluate our wait-time data collection methodology against industry best practices to reflect a typical customer experience. Capturing all wait-time data requires additional investment in smart queuing systems, which is feasible only in the largest offices. We will re-evaluate technologies as they evolve to determine feasibility in all ServiceOntario centres.

For in-person centres experiencing load challenges, an expert task force has been in place since May 2013. The task force is responsible for developing practical wait-time improvement strategies, and as a result of its efforts, we are already observing progressive improvements at these centres.

ServiceOntario notes that our contact centres experienced a temporary dip in performance as they transitioned to our new technology platform. While these types of transitional impacts are typical of large-scale technology and process transformations, they do not reflect ServiceOntario's commitment to service excellence.

Accordingly, a number of corrective measures were initiated, and we are pleased to note continuous improvements in our service-level performance since the results of the 2012/13 fiscal year:

- Six of 18 lines of business have now surpassed their 80% service-level target.
- Fifteen of 18 lines of business provide a less-than-two-minute Average Speed of Answer.
- The most recent second-quarter customer satisfaction survey results have returned to pre-transition levels of 70% "Very Satisfied."

In 2014, ServiceOntario will review its customer satisfaction survey program with experts in the field to ensure our methodologies address the Auditor's concerns.

Through frontline staff focus groups that convened in April, May and September 2013, ServiceOntario has identified the most common reasons for turn-aways. The groups most affected are youth, new immigrants and people for whom English is a second language.

We have developed a plan to reduce these turn-aways. The plan will be implemented by the end of this fiscal year (March 31, 2014). It includes:

- a multilingual handout for agents to distribute to help customers understand what documents are required when they return; and
- stakeholder outreach to ensure that youth and new immigrant communities understand what documentation is required prior to their first visit.

USER FEES

Our *2009 Annual Report* section on government user fees noted that the Ministry of Government Services was at risk of a constitutional challenge over its collection of non-tax revenues for certain registration services because the fee revenues exceeded the cost of providing the services by approximately $60 million. In 1998, the Supreme Court of Canada ruled that user fees could be considered unlawful and therefore may be repayable if they were determined by a court to be a tax that was not established by enacted legislation or if the fee amounts charged were excessive and did not

have a reasonable relationship to the cost of the services provided.

In 2011, we reported that the Ministry had identified potential strategies to address this risk, including possibly reducing the fees over time, and that it was working with the Ministry of Finance to present a strategy to the Treasury Board of Cabinet for consideration. However, no timetable was provided for completing this. As part of our current audit, we again followed up on this matter and noted that no further progress had been made.

ServiceOntario had direct responsibility for about $104 million in fees collected in the 2012/13 fiscal year for programs that it fully administers, including services for land, personal property, businesses and vital events. Any proposals for fee changes would normally be made by ServiceOntario to the Ministry of Finance and require government approval. The other $2.8 billion in fees and taxes ServiceOntario collected are flow-through revenues since they were collected on behalf of other ministries' programs, such as for driver and vehicle transactions, land transfer tax, and fish and wildlife transactions. Responsibility for proposing fee changes for flow-through revenues is with these other ministries. There are no revenues for health-card services, as fees are prohibited under the federal *Canada Health Act*.

Government policies and guidelines require ministries to regularly review services and rates, and when it is reasonable and practical to do so, the cost of providing services to the public should be borne by those who benefit from the service. ServiceOntario did not have robust processes to ensure this was the case, and it had not established a strategy for restructuring its fees to meet these requirements. No fees have been changed since 2006 for programs that ServiceOntario fully administers. As Figure 2 indicates, there still are significant differences in revenues and costs for its registration programs.

ServiceOntario was working to lower its operating costs, including by restructuring for greater efficiency, upgrading technology, improving management information and reporting, and promoting

greater use of its lower-cost Internet services. However, these efforts had not led to any fee reviews and thus any operating savings that were achieved would not result in adjustment to fees.

Figure 2: Comparison of Fees and Costs for Registration Programs, 2012/13 ($ million)

Source of data: ServiceOntario

Program	Vital Statistics	Business	Personal Property
Fees collected	23.5	37.9	40.8
Direct and indirect costs	25.8	18.9	6.9
Net operating profit (loss)	(2.3)	19.0	33.9

RECOMMENDATION 3

To ensure that registration-related fees are set at levels that would recover the costs of providing services when it is reasonable and practical to do so and also to meet the legal requirement that fees not be set at excessive amounts, ServiceOntario should conduct a full costing and revenue analysis, and develop a strategy with time frames for restructuring its fees.

SERVICEONTARIO RESPONSE

We agree with the Auditor General's recommendation that registration-related fees should meet legal requirements.

There are two streams of user fee revenue: services that ServiceOntario manages directly and services that are offered on behalf of other ministries.

ServiceOntario is continuing to refine the cost of each transaction it manages directly and will develop a costing analysis and a strategy for restructuring its fees for registration-related services in 2014.

ISSUING AND MANAGING LICENCES, CERTIFICATIONS, REGISTRATIONS AND PERMITS

Birth Certificates

The Office of the Registrar General (Office) is a branch of ServiceOntario responsible for registering births, deaths, marriages, adoptions and name changes in the province. ServiceOntario, through the Office, provides certificates and certified copies of registrations to the public. Each year, approximately 300,000 events are registered and 580,000 certificates and certified copies are issued.

Our 2004/05 audit of the Office found significant backlogs and processing delays for birth certificates. However, as a result of a new system in 2007 and other organizational changes, the turn-around time for processing registrations and issuing certificates has improved significantly, and these times are reasonable in comparison to service levels reported by other provinces. However, we noted two areas that need improvement:

- The *Vital Statistics Act* requires guarantors for applications for birth certificates for anyone over the age of 9. Applications with guarantors accounted for 43% of all applications for birth certificates or requests for certified copies of birth registrations received annually. Policy of the Office of the Registrar General states that guarantors must be audited on a sample basis. We found that very few guarantor audits were done. In 2012, only 151 guarantor audits were completed among the over 150,000 applications for people over the age of 9.

- Ontario is one of the last provinces to still print birth certificates on paper. The Vital Statistics Council for Canada has recommended that all provinces update from paper to polymer (plastic) birth certificates with security features designed to minimize identity theft, forgery and loss. From 2007 to 2010, eight provinces adopted the more secure polymer birth certificates, but ServiceOntario has no plan to do so.

Health-card Registrations

ServiceOntario annually issues about 305,000 health cards to new eligible registrants, including 137,000 to newborns and 168,000 to newcomers, and renews about 1.4 million for existing cardholders using procedures agreed on with the Ministry of Health and Long-Term Care. Since health cards provide cardholders with essentially free medical services anywhere in Canada, ServiceOntario must ensure that cards are provided only to individuals who are legally eligible to receive the services. People applying for OHIP coverage and an accompanying health card are required to submit original documents that provide:

- proof of citizenship or OHIP-eligible immigration status;
- proof that they live in Ontario; and
- support of their identity, including name and signature.

However, once an applicant shows the required documents at the ServiceOntario counter and the information is recorded, all source documents are returned to the applicant. In most cases, the information is authenticated electronically with the source organization, either ServiceOntario's Registrar General or Citizenship and Immigration Canada. In other cases where the documents used can't be authenticated, no copies are made of what proof was shown, so there is no audit trail available to make sure counter staff processed transactions according to policy requirements. This is of particular concern for higher-risk transactions, such as applications by newcomers to the province whose documents cannot be electronically authenticated. ServiceOntario's internal auditors mentioned this problem in a November 2011 report; however, no changes have been made. In addition, we noted there was no requirement for a supervisor to double-check counter staff work, such as confirming that a new registrant has provided a proper identity document. Nor is a supervisor required to authorize higher-risk transactions, as is the practice at banks, for example.

In 2010, ServiceOntario expanded the number of locations that could issue health cards to 289 from 27. This improved customer access, but it also increased the risks pertaining to processing health-card transactions, since many of these locations were small offices with limited management oversight. In 2012/13, ServiceOntario found that 130 of the 289 in-person service centres had high-risk error rates greater than 15% with respect to the health-card application process.

Conversion to New Health Cards

In 1995, the Ministry of Health and Long-Term Care (Health) introduced a photo health card to eventually replace the red-and-white, non-photo cards that were then carried by all Ontarians eligible to receive OHIP benefits. Health originally planned to have all eligible Ontarians carrying the new photo card by 2000. However, the government did not make conversion mandatory, and many red-and-white cardholders chose not to replace their cards.

The program to convert to the more secure card offered many opportunities to Health. It provided a chance to verify that each person who was issued a new card indeed met the requirements for OHIP eligibility. The red-and-white card has no photo and no information other than the cardholder's name—no date of birth or address, for example—so it is of little value in confirming a cardholder's identity for eligibility. And unlike the new photo card, which requires periodic renewal, the red-and-white card does not expire.

After 18 years, as of August 1, 2013, there were still 3.1 million red-and-white cards—23% of the total of 13.4 million health cards issued—in circulation in Ontario. As we reported in our *2006 Annual Report* audit of OHIP, from 2002/03 to 2004/05, the number of red-and-white cards taken out of circulation was about 400,000 annually. But the reduction rate declined by about 45% on average annually over the last five fiscal years since ServiceOntario assumed responsibility from Health for the conversion, as shown in Figure 3.

Figure 3: Number of Red-and-white Cards Removed from Circulation, 1995–2012

Sources of data: Ministry of Health and Long-Term Care (Health) and ServiceOntario

2008—ServiceOntario assumed responsibility from Health for health-card conversion project
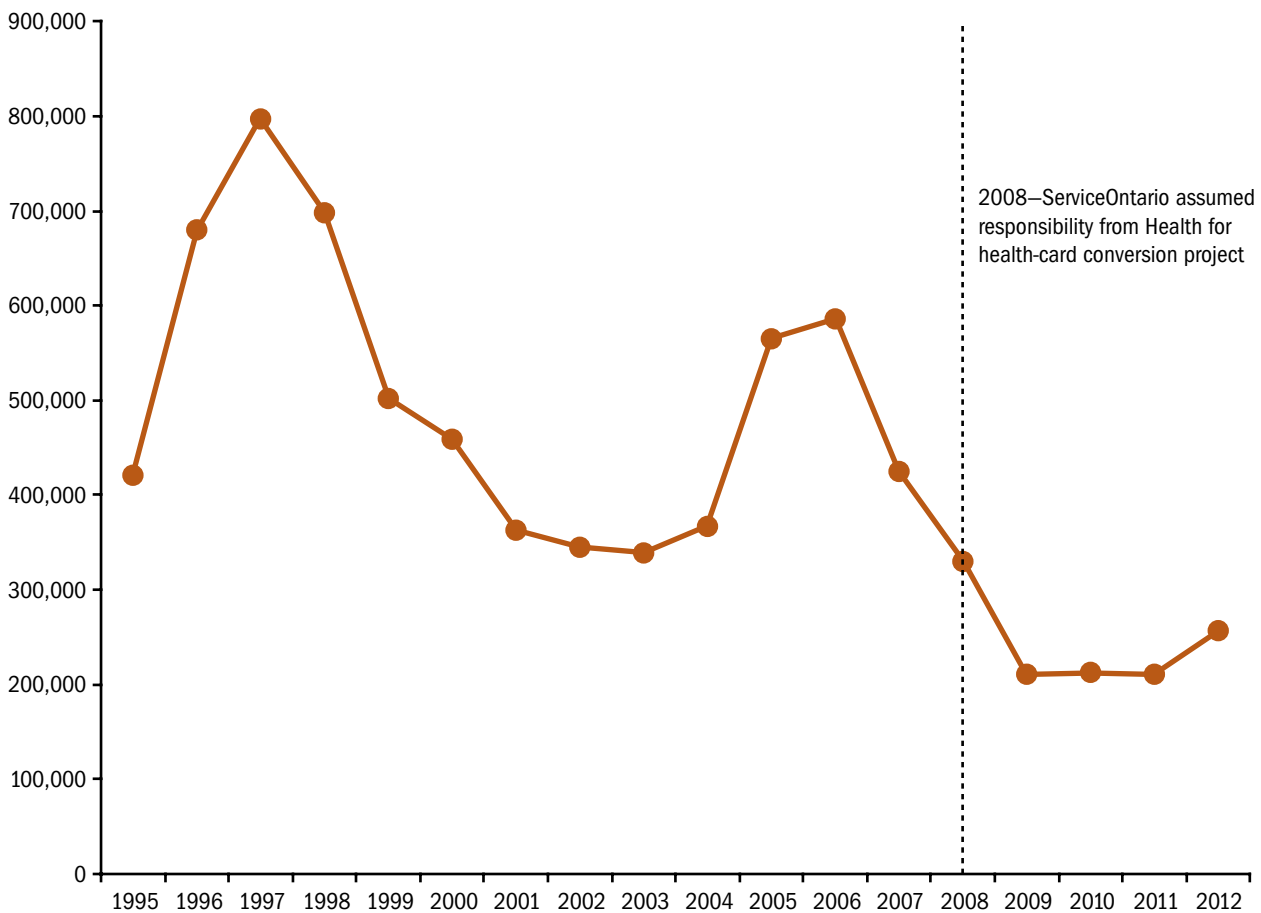
Red-and-white cards fall out of circulation when the cardholders die, move out of the province or country, lose the card and must get a replacement, or voluntarily request an updated card. To encourage the voluntary exchange of old cards for new ones, ServiceOntario mails out notices requesting that red-and-white cardholders replace their cards. Due to budget constraints, ServiceOntario has sent only about 36,000 requests in each of the last two years. As well, we were told by owners of privately run in-person service centres that they are aggressively promoting voluntary card conversion to people coming in to renew their driver's licence or plate stickers. The centre receives an additional commission for a health-card replacement transaction. In contrast, management at publicly run service centres told us they were not instructed to promote health-card conversions.

We estimated that 25% of the addresses of holders of red-and-white cards were outdated as of 2012/13. Many of these cardholders would have come to ServiceOntario for driver's licence and vehicle transactions, but ServiceOntario did not use the address information from these transactions to update the addresses assigned to health cards.

In our 2006 OHIP audit, we noted that Health did little monitoring of individual health-card usage. In 2005, a consulting firm hired by Health estimated the value of consumer fraud in Ontario's health-card system at $11 million to $22 million annually. Health had not updated that estimate at the time of this audit.

In its 2013 budget, the provincial government announced that it would invest $15 million over three years, starting in 2013/14, to accelerate the conversion of the remaining red-and-white health

cards to the more secure photo cards. The full conversion is expected to be completed by 2018. In the 2013/14 fiscal year, the plan was to remove 500,000 old cards from circulation.

Starting in late 2013, counter staff were to ask customers to verify their health-card addresses when they came to ServiceOntario locations for any other transactions.

Smart Card

The Ontario government has, over the last 15 years, launched initiatives that explored the possibility of replacing a number of government cards—driver's licences, health cards and birth certificates, for example—with a single, secure identity card. This has been commonly referred to as a smart card. Microchip technology and other evolving security measures have made the prospect for such a card more feasible. If a smart card was implemented, the public likely would want reassurance that the personal information stored on this kind of universal card remains private and is used only for the purposes for which it is intended.

In 2012, Ontario passed legislation that established the authority for developing such a card. Advantages for consumers would include having to carry and renew only one card. For the government, the advantages would include streamlining card production processes with reduced production and transaction costs. For example, we estimate that the annual savings in card production costs alone from combining the health cards and driver's licences of 9 million people into a single ID card would be about $3.4 million, although significant upfront investment in card design and data transfer would be required. Such a card could also allow government to work toward giving each Ontarian only one identity number, which would reduce the need for individuals to have multiple IDs across government databases and would help to integrate government services.

Other jurisdictions—British Columbia, the state of Queensland in Australia, and Germany, for example—have moved to some form of smart-card system, combining at least two government cards.

Commercial Farm Vehicles

As of March 31, 2013, Ontario had almost 1.5 million registered commercial vehicles that weighed more than 3,000 kilograms, and 78,100 registered farm vehicles in the same weight categories. The province allows farmers to pay reduced annual registration fees for licence plate stickers for commercial farm vehicles compared to what would otherwise be paid for commercial vehicles. The annual fee for a farm vehicle registration is $43 to $2,802 less than the fee paid for a commercial vehicle registration, depending on weight. For example, an operator of a commercial vehicle with a gross weight of 25,000 kilograms would pay an annual fee of $1,331. If the vehicle were registered as a farm vehicle, however, the owner would pay an annual fee of only $322.

ServiceOntario staff do not verify that the owner of a vehicle is indeed a farmer. An applicant merely has to tick a box on a form identifying that he or she is a farmer. We found that from 2003/04 to 2012/13, the number of commercial farm vehicles registered with MTO increased by 56%, while the number of commercial vehicles registered increased by only 13% overall. Moreover, Statistics Canada's farm activity indicators for Ontario declined from 2001 to 2011. We estimated that weaknesses in ServiceOntario's verification procedures could be costing the province about $5 million annually in lost commercial vehicle registration fees, assuming that the number of farm vehicles did not actually increase more than the rate for other commercial vehicles.

Accessible Parking Permits

In our *2005 Annual Report* section on Disabled Person Parking Permits, we identified that MTO did not adequately review applications for accessible parking permits. In response, MTO held discussions

with the medical community, reassessed its criteria for medical conditions that qualified a person for a permit, and started using death records to identify deceased permit holders more quickly; however, no substantial changes were made to improve the verification of the application forms.

Since our last audit, we noted that the number of active accessible parking permits had increased from 540,000 to 615,000 as of January 2013. ServiceOntario is now responsible for issuing accessible parking permits and still had weak processes for reviewing and verifying applications.

To obtain an accessible parking permit, an applicant's health condition must be certified by a regulated health-care practitioner. Either a temporary or a permanent permit is issued, depending on the applicant's health condition. A temporary permit is valid for up to five years, and the applicant needs to reapply upon the permit's expiry. A permanent permit is issued for a five-year period, and an applicant who renews the permit does not need to obtain recertification of his or her health condition. Permits allow parking in designated accessible parking spaces, and, depending on the jurisdiction, can also be used to get free parking at meters and in pay-and-display spaces, and to park in some no-parking zones. The advantages create an incentive for misuse of the permits and for counterfeiting.

At the time of our audit, ServiceOntario was following MTO's earlier policy for accessible parking permits by randomly verifying the professional registration numbers of health-care practitioners before mailing out a permit. These professional registration numbers are publicly available on the Internet, so verification of the numbers provides no assurance that the practitioner supported and signed the application. Temporary, three-month permits were issued right at ServiceOntario counters, where counter staff simply made sure the application had been filled out. There was no verification of the information, and front-counter staff could not determine whether the applicant had had a permit seized by enforcement officials or had had an application for a permanent permit rejected.

Since our 2005 audit of the driver and vehicle private issuing network, which included accessible parking permits, the number of permits seized by law enforcement agencies had decreased. In 2005, about 1,600 permits were seized, compared with 710 in 2012. However, enforcement was difficult because parking enforcement officers did not have access to ServiceOntario's database to see if permits are legitimate.

Once a month, ServiceOntario matched a list of names of people who died, provided internally by its Office of the Registrar General branch, to its list of accessible parking permit holders. An exact match automatically rendered the permit inactive. However, ServiceOntario did not require that the permit be sent back, and misuse of a technically inactive permit was difficult to catch. As well, only exact matches were inactivated. In our examination of a sample of renewal notices, we noted a few had been sent to people who were deceased, including one who had been dead for four years.

Our testing found that the permits lacked effective security features and could be copied easily. As well, blank permits were kept at the desks of employees and were not numbered serially in advance, which means there were no controls over the number of permits that could be printed.

Other jurisdictions have improved their processes for issuing accessible parking permits. In British Columbia and Quebec, permit holders must carry an accompanying permit card or certificate that enforcement officials can ask to see. In New York City, a city health department physician must recertify disabilities. In Australia, permit stickers are placed on vehicles, with the name, date of birth and picture of the permit holder, and enforcement officers carry scanners to detect fake permits.

Subsequent to our discussions during our audit fieldwork, ServiceOntario began work to improve its accessible parking permit policy and procedures. It began implementing a policy to require applicants to provide documents to verify their identity. As well, temporary permits were no longer to be handed over to people submitting an application on behalf of someone else.

RECOMMENDATION 4

To improve service and security surrounding the issuing and management of licences, certificates, registrations and permits that it administers, ServiceOntario should:

- ensure that it completes enough guarantor audits for birth certificate applications, and consider updating its birth certificate identity document to the newer polymer composition and design standard to minimize identity theft, forgery and loss;
- reassess the processes in use and supervisory oversight over counter staff at in-person service centres to better ensure policies and procedures are followed for processing higher-risk transactions and verifying that customers provide proper documents when registering for health cards;
- complete its long-delayed conversion from the old red-and-white health cards so that all Ontarians are carrying the more secure photo health cards that reduce the risk of fraudulent medical claims;
- examine the benefits and cost savings from creating a smart card that would combine more than one government ID card, and set timelines to achieve them;
- improve verification requirements for applications to make sure that vehicles registered as farm vehicles, and thus subject to a much lower annual registration fee than other commercial vehicles, are indeed used for farm purposes; and
- improve processes for issuing accessible parking permits, and introduce changes that would make it easier to identify abusers.

SERVICEONTARIO RESPONSE

Noting that Ontario is the only jurisdiction that performs guarantor audits for birth certificate applications, ServiceOntario will conduct an analysis of the effectiveness of guarantor audits and associated policies as a means of ensuring the integrity of our data and authentication processes. ServiceOntario had considered the use of polymer composition materials in birth certificates but did not implement this option due to cost. We agree to re-examine in 2014 the feasibility of using polymer stock and will analyze the experiences of other Canadian jurisdictions.

ServiceOntario has available staff support for the delivery of higher-risk transactions, as well as transactions requiring policy interpretation/adjudication. This support includes on-site supervisors and subject matter experts, telephone hotline specialists, and reviews conducted by our Eligibility Unit. In addition, the Ministry of Health and Long-Term Care provides policy support and clarification of more complex OHIP-eligibility issues to ServiceOntario staff as required. ServiceOntario agrees to explore other cost-effective and operationally feasible approaches to high-risk transaction oversight to further enhance the integrity of delivery and maintain customer service standards.

With government support and funding that was confirmed in the 2013 Ontario Budget, we will begin an accelerated, mandatory conversion of red-and-white health cards to the more secure photo health card in winter 2013/14. This conversion will be completed in the 2018/19 fiscal year. In June 2013, we started to more than double the number of red-and-white health-card conversion letters sent weekly and are actively marketing a "keep your address up to date" campaign to customers.

ServiceOntario recognizes the potential value of an integrated card for multiple government programs and has begun a review of possible options. ServiceOntario will work closely with its ministry partners to determine the feasibility and value of the card, and assess the legislative authority required for potential options. Privacy-friendly design, cost effectiveness, and the potential for use across a variety of government programs are key themes being explored prior to any commitment to implement.

ServiceOntario has consulted with the Ministry of Transportation (MTO) on the licensing of commercial farm vehicles. MTO is developing policy options to address the Auditor General's concern and will be consulting with stakeholders on possible options. Once a policy direction has been confirmed, MTO will work to determine an implementation and communications plan.

ServiceOntario agrees with the need to enhance the integrity of its administration of the Accessible Parking Permit (APP) program. It is currently addressing the Auditor General's concerns by:

- ensuring consistency between accessible parking permits and driver's licences in how a person's name is recorded in order to improve ServiceOntario's ability to prevent the fraudulent use of permits and strengthen oversight of the issuance of renewal permits;
- assessing the security of the permit, and evaluating new and effective design elements, including serial numbers to control and measure permit production and distribution; and
- collaborating with municipalities that enforce APP-related laws to identify appropriate mechanisms for tracking permit seizures and enforcement.

In addition, ServiceOntario will explore opportunities to collaborate with MTO to incorporate the APP program into the Medical Reporting Modernization Project, enabling regulated health practitioners to facilitate the direct submission of approved APP applications and the immediate production of temporary permits.

QUALITY CONTROL OVER PROCESSING TRANSACTIONS

ServiceOntario needs to ensure that transactions are processed correctly and securely because of the substantial risks involved, such as issuing identification or licences to ineligible people, or improper or duplicate registrations on its database. As well, it needs to ensure the accuracy and integrity of its registration and licensing services and databases. We identified a number of areas where controls could be improved.

Audit Oversight

ServiceOntario has implemented a robust audit program of its 289 in-person service centres to identify locations with high error rates in processing transactions. We were concerned that 43% of its centres are rated as high risk because of the number of processing errors the audits uncovered.

ServiceOntario's Audit Oversight Unit (Unit) conducts both full on-site audits and more limited off-site audits of a sample of transactions. Both privately and publicly run in-person service centres are audited to ensure that there is appropriate and accurate documentation for all transactions; that transactions have been processed correctly and all commissions calculated accurately; and, for full audits, that valuable stock (such as licence plates and renewal stickers) is properly secured and accounted for.

The Unit has increased the number of audits it conducts. In the 15 months up to March 31, 2013, 88% of all in-person service centres had an on-site audit and 99% of centres had at least one off-site audit of transaction records. By comparison, in the 2011 calendar year, 45% of centres had on-site audits and 57% had off-site audits. (The Unit changed its reporting period from a calendar year in 2011 to a fiscal-year period in 2013, which included a one-time three-month difference. It was unable to provide us with identical periods for comparison.)

The Unit considers an in-person service centre to be high risk when the audit results in an error rate higher than 15%, calculated by the number of errors divided by the number of transactions sampled. The audit results do not include minor errors; the auditors instead focus on more significant errors, including missing signatures on health-card

and driver's licence applications, incorrect identity document type recorded on the application, health-card renewals without citizenship information being on file, a vehicle transferred to a name other than the one indicated on the application, wrong licence plate number renewed, and incorrect cash, cheque or credit-card adjustments or transactions.

In the 2011 calendar year, the Unit found that 23% of locations audited had error rates higher than 15%; in the 15-month period ending March 31, 2013, this percentage increased to 43%. Many of the locations' error rates far exceeded the 15% threshold, with some reaching 50% to 60%. Sixteen of the 125 high-risk locations identified in the 15-month period ending March 31, 2013, were also identified as high risk in the calendar year 2011. There were no significant differences in the error rates between privately and publicly operated in-person service centres.

For the 2013/14 fiscal year, the Unit plans to focus on in-person service centres that were considered high risk from the previous year's audits, particularly those with error rates higher than 30%. The Unit also intends to improve its interactions, such as holding more regular status meetings, with high-risk sites to monitor their progress, and take other action—including legal action—as needed.

We were advised that errors identified in the audits are discussed with management of the in-person service centres. However, the Unit did not compile regular reports that summarized the types and frequency of errors found, including whether the errors were financial or clerical, or whether they were more serious and affected the security and integrity of registration and licensing databases. Such reports would help identify areas in which staff need training and would identify errors that result from problems in processes and IT systems.

Besides past error rates, ServiceOntario's audits should consider other risk factors related to operating in-person service centres—for instance, whether the site handles more complex transactions, such as a relatively higher number of health-card registrations to newcomers; transaction volumes and amount of revenue generated; and whether the centre has changed staff, management or ownership.

Database Integrity

ServiceOntario's procedures and IT system controls are designed to mitigate the risk of issuing duplicate health cards, driver's licences or birth certificates that could allow people to obtain services or privileges for which they are not eligible. As well, if a deceased person's identity card is not cancelled promptly, it could be used inappropriately. When issuing or renewing a health card or renewing a driver's licence, ServiceOntario staff perform a limited search of the databases of Health or MTO using name, birthdate and sex to see whether any existing health cards or driver's licences are issued in the same name. However, ServiceOntario has not established procedures for its counter staff to cross-reference the information in those databases to further verify the applicant's identity even though the same counter staff can process both types of transactions.

Based on our analysis of the databases as of March 31, 2013, and in some cases data going back over the previous five years, we found a number of control weaknesses that affected data integrity that we shared with ServiceOntario. The following are among the more significant:

• We estimated that approximately 1,500 people in Ontario had been issued duplicate health cards; 580 of these individuals held two of the old red-and-white cards, which have no expiry date, and no photo or other identifying information on them except a name, and thus carry a significant risk for fraudulent use. In comparison, MTO has virtually eliminated the issuance of duplicate driver's licences since it uses electronic photo comparison to detect duplicates before they are authorized. No similar technology is used by ServiceOntario or Health for health cards. Furthermore, Service-Ontario counter staff have previous electronic

photos of driver's licence cardholders available on their system, but do not have photos available for health-card renewals. In addition, we found a few cases where the application process allowed newborns to receive two separate birth registrations.

- To make sure that the health cards and drivers' licences of people who have died are cancelled promptly, MTO and Health receive a monthly notification of deaths from ServiceOntario. For deaths that Health's automated matching system fail to match, the exceptions list is provided to ServiceOntario, which manually checks the list against the health-card database. We compared the death records from ServiceOntario's Registrar General database to Health's health-card and MTO's driver's licence databases and estimated that there were more than 15,000 active health cards (including 6,000 red-and-white cards) and 1,400 driver's licences in the names of people who have died that the systems and processes failed to cancel. When a health card or driver's licence is not cancelled promptly, there is an increased risk of it being misused; in the case of a health card, fees could continue to be paid to the deceased person's health-care provider until the card is terminated. Health officials advised us that in some cases there may be legitimate medical claims for services performed on deceased persons, and that there was a need to positively ensure that only cards for people who are verifiably deceased persons are cancelled. However, they agreed that to minimize risk, health cards should be cancelled promptly upon receiving notification of a death. Health and ServiceOntario advised us that they are committed to reviewing their related policies and procedures.
- Approximately 166,000 active health cards, including 144,000 of the red-and-white cards that have no expiry dates, were listed in the database as not having current addresses

for the cardholders attached to them; this means that neither Health nor ServiceOntario can locate these cardholders or verify their Ontario residency, a key requirement for eligibility for health services. Furthermore, we compared address information for holders of the red-and-white health cards with their addresses in MTO's database for driver's licences, which must be renewed every five years, and found that as many as 800,000 of them had a more current address in the MTO database. However, ServiceOntario staff had no established procedure to access or use MTO addresses to update addresses in the health-card database, even though the same counter staff can process both types of transactions.

- Many people who legally changed their names with ServiceOntario's Office of the Registrar General did not inform Health or MTO of this, even when they renewed their health card or driver's licence with ServiceOntario. The Registrar General does not share name change information with the MTO and Health, although it does inform the Ontario Provincial Police, who then inform the Canadian Police Information Centre (CPIC) operated by the RCMP for updating criminal records. We reviewed the data of the 50,000 people over the last five years who had legally changed their names and found that an estimated 2,400 had not updated the name on their health card and 800 had not changed the name on their driver's licence. At the time these people had their new legal name registered, they would have received a new birth certificate from ServiceOntario with that new name. Thus, there is a risk that people have two different identification documents, which could result in their inappropriately receiving duplicate government services, for example.

RECOMMENDATION 5

To ensure that transactions are processed in accordance with legislation and established procedures, and to reduce the risk of fraud and misuse of government-issued identity documents, ServiceOntario should:

- regularly identify from its audit activities the types and frequency of errors found that can be used to target staff training and changes to its systems and procedures needed to reduce the high transaction error rate at many of its service centres;
- recommend to its partner ministries the need for further automated and other processing controls to improve the security and integrity of registration and licensing databases;
- improve its systems for cancelling identity documents for people who have died; and
- co-ordinate with the Ministry of Health and Long-Term Care, the Ministry of Transportation and the Office of the Information and Privacy Commissioner to introduce measures such as limited sharing of current addresses among databases in order to mitigate the risks posed by erroneous and duplicate identity documents.

SERVICEONTARIO RESPONSE

Since 2010, ServiceOntario has expanded its Quality Assurance audit program to include health-card registration, as well as new risk and intervention frameworks. It encompasses service delivery through both publicly and privately operated centres. We agree that taking steps to further realize the business value of Quality Assurance audit data in supporting process and system improvements will be beneficial, and we have already begun to take appropriate action.

ServiceOntario continues to explore ways to further integrate products and the delivery of services to improve customer service, to safeguard an individual's privacy and to improve data integrity while meeting the government's statutory obligations under the *Freedom of Information and Protection of Privacy Act* and the *Personal Health Information Protection Act*. To this end, ServiceOntario will prepare options for providing electronic change-of-name notifications to the Ministry of Transportation (MTO) and the Ministry of Health and Long-Term Care (Health).

Maintaining the integrity of records is a high priority for ServiceOntario and all of its partner ministries. Equally, ensuring that records do not get incorrectly changed and that mismatches are avoided is of critical concern. ServiceOntario will seek to build on previous efforts with MTO and Health and explore additional improvements in data-matching processes for death records. At the same time, ServiceOntario will continue to reconcile addresses between a driver's licence and health card whenever client consent is received.

More significant changes such as a centralized and consolidated approach to authentication and verification of some eligibility requirements necessitate a longer time frame, investment and may require changes to ServiceOntario's existing scope of authority. ServiceOntario will consult with the Office of the Information and Privacy Commissioner of Ontario and work closely with its partners to develop a proposal that considers expansion of existing information-sharing agreements.

TERANET IT PERFORMANCE MONITORING

As part of its licensing agreement, Teranet is required to adhere to industry standard methodology to ensure effective controls are in place for the key information technology processes involved in providing electronic land registration services. To

demonstrate that it is meeting this requirement, Teranet provides ServiceOntario with quarterly IT performance reports on measures including accessibility, availability, system response time, server performance, network performance, security, application functionality and data integrity, and system and data backup. Committees comprising representatives from ServiceOntario and Teranet meet regularly to monitor Teranet's performance and whether established targets have been met.

We noted that ServiceOntario relies on information provided by Teranet for its monitoring activities, and reports are not independently verified either by ServiceOntario or by internal or external auditors. ServiceOntario does not obtain independent assurance that performance reports from Teranet are complete and accurate, and that disaster recovery plans and security measures are validated routinely.

Teranet provides ServiceOntario each quarter with a copy of the source code software that would allow the Ministry to use or recreate the electronic land registration system in the event Teranet was unable or unwilling to fulfill its obligations under the agreement. We verified that ServiceOntario was receiving the source code regularly; however, it had not tested the software to ensure it could use the program without further support and co-operation from Teranet.

RECOMMENDATION 6

To better ensure the ongoing reliability and availability of Ontario's electronic land registration system, ServiceOntario should obtain independent assurance that Teranet's performance reports, and its disaster recovery plans and security measures, meet industry-accepted standards and are validated routinely. ServiceOntario should also periodically test its copy of the land registration source code software.

SERVICEONTARIO RESPONSE

As part of our ongoing commitment to service improvement, ServiceOntario and Teranet have agreed to apply a comprehensive assessment framework that is consistent with what the Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants) recommends regarding reporting on controls for a service organization. This new framework will be applied to reporting as of March 2014. ServiceOntario will explore alternative cost-effective ways to obtain additional third-party assurance of disaster recovery plans and security measures standards.

The licence agreement with Teranet does include a master transition plan to execute an orderly transition of the electronic land registration system from Teranet to another third-party or government operator. ServiceOntario will investigate cost-effective means to verify its copy of the source code software it receives from Teranet for the land registration.