ServiceOntario

Follow-up to VFM Section 3.09, *2013 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of Actions Recommended	**Status of Actions Recommended**			
		Fully Implemented	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	3	2			1
Recommendation 2	4	3		1	
Recommendation 3	1			1	
Recommendation 4	7	2	4		1
Recommendation 5	4	1	2	1	
Recommendation 6	2	1			1
Total	**21**	**9**	**6**	**3**	**3**
%	**100**	**43**	**29**	**14**	**14**

Background

ServiceOntario, a separate part of the Ministry of Government and Consumer Services (formerly the Ministry of Government Services), has a mandate to provide centralized service delivery to individuals and businesses for a number of programs involving vital events, such as birth, marriage and death certificates; business services, including company registrations; personal property security registration and services; and land registration services.

ServiceOntario also processes, for 14 other ministries, high-volume routine transactions, most significantly driver's licence renewals and vehicle registrations, and health-card renewals and registrations.

In the 2014/15 fiscal year, ServiceOntario handled more than 37.5 million transactions (35 million in 2012/13), with in-person service centres accounting for 70% and the Internet for 30% (70% in-person and 30% Internet in 2012/13). ServiceOntario also handled about 11.4 million requests (12 million in 2012/13) for information and referrals—57% of these were made online, 34% through its telephone contact centres and 9% at in-person service centres (55% online, 38% through telephone contact centres and 7% in-person in 2012/13).

In our 2013 audit, we found that ServiceOntario had made substantial accomplishments in centralizing service and was generally meeting its service level targets, but it needed to improve in several key areas. It needed to continue to strengthen its systems and procedures 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 our *2013 Annual Report*, we reported the following findings:

- In 2012/13, only 30% of ServiceOntario transactions were done online, well short of its 2008 forecast that 55% to 60% of transactions would be online by 2012. Further savings could be achieved if ServiceOntario could encourage people to switch to doing business online instead of in person. For instance, we estimated that operating costs would decrease by approximately $2.9 million annually if 50% more licence plate sticker renewals were done online.

- ServiceOntario improved its website services, but its online customer satisfaction rating remained from 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. For example, errors included incorrect financial charges, missing signatures on health-card applications, renewing the wrong licence plate number, and transferring a vehicle to a name other than the one on the application.

- 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%.

- Significant fraud risk still exists 18 years after the government announced its plan to reduce costs and risks 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.

- 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 and 1,400 driver's licences were circulating in the names of people who had been reported to ServiceOntario as deceased.

- 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 did not verify that people registering large commercial agricultural vehicles—which are registered at a reduced rate compared to other commercial vehicles—were indeed farmers. We estimated that this could be costing the province about $5 million annually.

- 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.

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

Status of Actions Taken on Recommendations

ServiceOntario has made progress on implementing most of the recommendations we made in our *2013 Annual Report*, which were aimed at improving the delivery of cost-effective services to Ontarians. Nine out of our 21 recommendations have been fully implemented. In particular, to lower costs ServiceOntario has reduced its number of in-person service centres and implemented more efficient full-time/part-time staffing mixes at the remaining publicly run in-person service centres. As well, it has expanded its privately run in-person service centres, which cost less to operate than its publicly run in-person service centres. ServiceOntario implemented measures to better monitor customer wait times during peak hours at both publicly run and privately run in-person service centres, and to monitor and reduce transaction processing errors.

Progress has been made on another six recommendations that will take more time to implement. At the time of our follow-up, ServiceOntario was assessing the viability of a government-wide identity approach and digital government strategy, and reviewing potential smart card models for Ontario. It expected to complete the business case by fall 2015; however, no date had been established for presenting the proposal to Cabinet for its consideration and approval.

We noted that ServiceOntario had made little or no progress on three of our recommendations, including making a case to government for the need to lower fees so that they reflect the actual costs of transactions, particularly for less costly on-line services; conducting client satisfaction surveys at its in-person service centres without full knowledge of counter staff(who may be motivated to provide their best service only on the survey day); and sharing address-change information between ministries' databases (the Ministry decided it would pursue this only as part of the development of the business case for smart cards).

In accordance with one of our recommendations, ServiceOntario had analyzed barriers to customers using online services and was continuing to make changes to its programs and client notifications to better promote its online services, which are less costly to operate. On the other hand, ServiceOntario did not implement a related recommendation to examine possible changes it could make to promote greater use of online transactions (including changing its pricing strategy). As a result, no significant progress had been made since our 2013 audit in increasing the proportion of ServiceOntario customers who complete their transactions online instead of in person at a service centre.

As well, ServiceOntario has decided that it will not implement another two of our recommendations. Instead of ensuring that it completes a sufficient number of random audits of guarantors on birth certificate applications, ServiceOntario discontinued these audits entirely in August 2014, with no alternative verification procedure to replace them. It was also not planning to periodically test its software copy of the land registration system to ensure it can be used if Teranet, its sole service provider, ceases to operate. ServiceOntario determined that doing this would be too expensive, so it still did not know if its copy of the software was reliable when we completed our follow-up. We continue to believe that our recommendations are of value and that it would be prudent for ServiceOntario to implement them.

The status of each of our recommendations is as follows.

Service Delivery Costs

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,*
  Status: Fully implemented.

Details

Since our 2013 audit, ServiceOntario has expanded its online services. ServiceOntario reported that in September 2013 Ontario became the first province in Canada to provide drivers with an online driver's licence renewal service. From September 2013 until May 2015, 366,219 online driver's licence renewals were completed, representing 12.2% of all driver's licence renewal transactions in Ontario. ServiceOntario also launched in September 2014 the Ministry of the Attorney General's small claims e-filing pilot project to allow on-line accepting of fee payments, and in March 2015, the project was rolled out province-wide at all courts. ServiceOntario launched an online service for processing security guard licences for the Ministry of Community Safety and Correctional Services in October 2014. Before then, licensing services were only available at one in-person retail office or by mail. ServiceOntario informed us that the change has resulted in a 13% reduction in returned applications between April 2014 and February 2015, and that over 80% of applicants now apply for security guard licences online.

From June to August 2013, ServiceOntario contracted an external market researcher to conduct a two-phase study to help it better understand customer behaviour with respect to the use of ServiceOntario's service delivery channels. The first phase was an online survey designed to explore the barriers to online usage (where lack of Internet access is not a barrier), the demographic and attitudinal differences between online users and non-online users, and the likelihood of drivers using its online service delivery channel. A total of 601 consumers who had used ServiceOntario services in the previous six months were surveyed. The key takeaway from the online survey was that greater awareness of the services that are available online was needed. A workshop discussion about the survey results held with representatives from ServiceOntario, the market researcher and an external advertising agency determined that messaging should focus on licence-plate sticker renewal

(this is one of the most frequently used services, but only 50%–55% of users surveyed were aware that it can be done online). The second phase of the research focused on consumers who did not know that they could renew their licence-plate sticker online. The market researcher tested the effectiveness of a series of messages about online renewal to identify which ones were most persuasive. Based on the survey results, the market researcher made recommendations on how to develop messaging that encourages people to access services online, and established five early-stage communication ideas for online licence plate sticker renewal. Based on the market research study's findings, ServiceOntario is working on updating its action plan to encourage higher usage of its online service delivery channel. For example, it updated its vehicle licence-renewal notice, changing the wording and redesigning the format of the application form, to encourage eligible customers to shift to the online channel to complete their transactions.

In October 2014, ServiceOntario started a new behavioural insights project. It found that the five most likely barriers to customers' use of online government services to complete a vehicle licence-plate sticker renewal included: customers' mistaken belief that if they received a form in the mail, they were obligated to return it that way; lack of awareness of online services; privacy concerns; risk of delay in receiving a renewal sticker when using online services; and force of habit in going to an in-person service centre to obtain a renewal sticker immediately. It also conducted an internal feasibility study in November 2014 to investigate the redesign of its renewal notices. After mailing out renewal notices with updated messaging encouraging customers to renew their vehicle licence online in February 2015, ServiceOntario reported online renewal had increased by 4.3%. At the time of our follow-up, ServiceOntario was collaborating with the Ministry of Transportation to replace the current vehicle licence renewal notice with a letter or postcard format.

Also, as of July 2014, customers can use their mobile devices to renew driver's licences and licence plate stickers, and to order personalized licence plates, used vehicle information packages, and driver or vehicle records. Before this time, the ServiceOntario website was not mobile-device friendly.

In December 2014, ServiceOntario established its new eight-year strategic plan. One of the plan's five goals is to create a customer-centric service design framework to engage with customers and to better understand what motivates them to choose a particular service channel. ServiceOntario informed us that a significant activity under this goal in 2015 was retaining an external vendor to conduct usability testing to improve the design of online business services.

and examine possible changes it could make, including to its pricing strategy, to promote greater use of online transactions; and
Status: Will not be implemented. We believe this recommendation should still be implemented.

Details

At the time of our 2013 audit, only ServiceOntario's business registration fees were higher for in-person services than online. Our office recommended that this type of fee structure should be explored for other services as well. ServiceOntario said it would explore different approaches to accelerate the shift to online services, potentially including a differential fee structure or mandatory use of electronic services. At the time of our follow-up, ServiceOntario informed us that a differential fee structure will not be explored because changes to prices for services require a Minister's order and Treasury Board approval. ServiceOntario also indicated that it has made such requests in the past, though not recently, and they were not approved.

ServiceOntario's total transactions had increased by approximately 7% from the time of our audit in 2012/13 to 2014/15. This included an increase in the number of online service transactions.

However, the percentage of total transactions completed online remained at 30% in the same time period despite the initiatives described above and ServiceOntario's efforts described earlier to better identify the reasons people opt for in-person service. This indicates that ServiceOntario's efforts have not been successful so far, and we continue to believe that further changes are needed to promote an increase in the use of online transactions.

- *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.*
  Status: Fully implemented.

Details

ServiceOntario reported that, from 2011/12 to 2013/14, customer interactions at its publicly run in-person service centres increased by 1.17 million (4.2%), operating expenses decreased by $5.04 million (3.6%), and the cost per customer interaction decreased by $0.38 (7.4%). ServiceOntario credited the improvements and $11 million in cost savings to numerous business improvement and transformational initiatives.

During the 2013 audit, 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 in-person service centre. As of July 31, 2015, ServiceOntario has moved from having virtually all staff working full-time to a more cost-effective ratio of 55% full-time and 45% part-time.

ServiceOntario also informed us that it has adjusted operating hours at its retail offices, closed some publicly run in-person service centres (which are more costly to operate) and opened new privately run in-person service centres (which are less costly to operate). Extended operating hours at 40 publicly run in-person service centres have been reduced, or removed altogether. ServiceOntario has

also reduced core operating hours in smaller communities. And it closed six publicly run in-person service centres after conducting business analyses of volume, lease terms and opportunities to consolidate. Since our 2013 audit, ServiceOntario has expanded the capacity of its more cost-effective privately run in-person service centres. It has opened five new privately run centres, added temporary wickets in six centres, and added permanent wickets in 25 centres.

Service Levels

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;*
Status: Fully Implemented.

Details

At the time of our 2013 audit, ServiceOntario measured wait time performance using the monthly average of samples for publicly run in-person service centres only. As of September 2014, ServiceOntario had implemented a new methodology at both publicly and privately run in-person service centres to determine the relationship between customers and transaction volumes, which allows it to estimate the number of customers waiting more than 20 minutes. ServiceOntario reported the new methodology has helped it to identify five additional sites with long wait times. ServiceOntario's September 2014 Wait Time Report (monthly) analysis detailed publicly and privately run in-person service centres using the manual wait-time sampling system (222 of 290 offices). In these offices, an estimated 92% of customers

were attended to in less than 20 minutes; 23 offices (4 public, 19 private) were identified as having wait-time challenges (defined as over 20% of customers waiting for more than 20 minutes).

To further improve monitoring of customer wait times at its largest publicly run in-person service centres, ServiceOntario plans to modernize its customer queuing system by implementing a modern, scalable and portable system in many of its large publicly run in-person service centres to manage the flow of customer traffic. In March 2015, ServiceOntario requested internal approval for the new queuing system, which was expected to cost $3.75 million over five years (20 existing sites shift to the new system immediately for $2.54 million and 16 new sites to be added for $1.21 million). It received approval to proceed in August 2015, and plans to implement the new system at the first 20 offices by May 2016. The next phase of implementation at 16 sites will include further enhancements, such as robust reporting, data collection, appointment booking and mobile/SMS capabilities.

ServiceOntario informed us that in 2014/15 it has increased capacity at its large, urban privately run in-person service centres to address growing customer volumes. Five centres were established in busy communities, including Toronto, Hamilton, Brampton, Mississauga and Whitby. ServiceOntario also reviewed the need for wickets at privately run in-person centres across the province, which resulted in re-allocations and new wicket additions to high-volume 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;*
Status: Fully implemented.

Details

In response to this recommendation, ServiceOntario mentioned that its contact centres

experienced a decrease in performance levels in 2013 as it transitioned to a new call centre technology platform. At the time of our follow-up, ServiceOntario reported that it had optimized a new technology called "Enterprise Contact Centre Solutions" and subsequently increased service level performance in 2014. From September 2014 to February 2015, the success rate for answering calls within the targeted time was in the 75-85% range, and the average queue time at its ServiceOntario contact centres was 32 seconds (exceeding the Ontario Public Service standard of 120 seconds). With regard to contact centre customer satisfaction, ServiceOntario reported that its rating in the fourth quarter of 2014/15 was 91% (compared to 64% in the fourth quarter of 2012/13).

In addition, as a part of ServiceOntario's new eight-year strategic plan, ServiceOntario hired an external marketing agency in 2015 to develop customer behavioural user personas, which provided information on customers' needs and behavior patterns, based on surveys and interviews. ServiceOntario plans to use these personas for its continuous improvement program for online services.

- *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*
  Status: Little or no progress.

Details

Our 2013 audit found that site managers were notified in advance of customer satisfaction surveys, and counter staff were fully aware that customers would be questioned since it was done within their sight. Based on consultation with an external market researcher, ServiceOntario modified its In-Person Channel Customer Satisfaction Survey by notifying directors and/or managers of the survey process at the beginning of the fiscal year,

instead of providing advance notice of the surveying days. ServiceOntario also informed us that the new process to hire surveyors screened out friends and/or relatives of ServiceOntario employees, and that interviews were conducted outside the centre when possible. However, we noted that ServiceOntario has done little to satisfy our recommendation since it continues to survey customers just outside the premises, which is still within sight of counter staff. Therefore, it was not unexpected that ServiceOntario reported that customer satisfaction scores did not change after modifications to its survey process. At the time of our follow-up, ServiceOntario indicated that it had no further plans to change its surveying methods.

- *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.*
  Status: Fully implemented.

Details

Based on discussions with its staff, ServiceOntario has determined that the primary reason customers are turned away is they do not bring all required documentation during in-person visits. This is due to inconsistent requirements for driver's licence and health card renewals. ServiceOntario indicated at the time of our follow-up that it had begun to address the issue of consistent documentation, and so it will not be necessary any longer to devise and implement an ongoing method to report on why customers are turned away.

ServiceOntario has engaged the Ministry of Transportation and the Ministry of Health and Long-Term Care to discuss modernizing and aligning policies and program requirements (as these policies are owned by each ministry). ServiceOntario has also undertaken steps to address health card turn-aways. In partnership with the Ministry of Health, ServiceOntario has created

a more user-friendly Ontario Health Insurance Coverage Official Documents List. It has updated its website to ensure all health card information is current and easy to find, and has used advertising to remind customers of what to bring with them.

From April to September 2013, ServiceOntario established front-line staff focus groups to identify the reasons customers were being turned away. The groups focused on ServiceOntario's publicly run in-person service centre in Brampton, and found that 80% of turn-aways resulted from customers visiting with incomplete documentation. ServiceOntario noted that the groups most affected were youth, new immigrants and people who speak English as a second language. In a six-week marketing campaign held in Brampton from October to November 2014, ServiceOntario developed brochures and had them translated into six languages, as well as online banners and print advertisements. However, ServiceOntario informed us that the on-site changes did not result in any significant improvements in Brampton because visitors needed to know in advance which documents were required in order to qualify for a health card; as a result, ServiceOntario decided not to implement the focus group marketing strategies in any other in-person centre.

User Fees

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.
Status: Little or no progress.

Details

In October 2014, ServiceOntario completed an expenditure analysis for each of the four lines of business that it manages end-to-end: vital events, business registrations, personal property and real property. This was the first time that ServiceOntario conducted such an analysis. It involved calculating the cost per transaction for each line of business. The analysis showed that, just as we noted in our 2013 audit, ServiceOntario continued to charge fees for certain lines of businesses that are significantly greater than the costs it incurred. Nevertheless, ServiceOntario has not used this information to recommend any changes to its fees to the Minister of Government and Consumer Services.

ServiceOntario also had not developed a strategy with time frames for restructuring its fees. Instead, all it committed to do in the future was to complete only an updated revenue and fee analysis for each line of business after it has completed several improvement initiatives. For vital events, ServiceOntario has committed to conducting a detailed fee analysis in the last quarter of the 2015/16 fiscal year or the first quarter of 2016/17 (after the polymer birth certificate, which launched in April 2015, is fully implemented). It had yet to determine a timeline for analyzing its fees for business registrations, but it expected to conduct the analysis before the launch of the new Ontario Business Information System, which has been postponed as it requires legislation to enable its use of new electronic services. ServiceOntario also could not provide a timeline for analyzing personal property fees, stating only that it will be completed after its Personal Property Registration system is refreshed, for which there is no timetable established at this time. Finally, the Ministry was not planning on conducting an updated fee analysis for real property transactions, even though fees were scheduled to increase November 2, 2015, and each year thereafter by the inflation adjustment formula set out in the Minister's Order dated December 16, 2010.

Issuing and Managing Licences, Certifications, Registrations and Permits

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,*
  Status: Will not be implemented. We believe that it continues to be prudent for ServiceOntario to randomly verify guarantor information to help ensure that the information provided about the applicant is correct.

Details

The *Vital Statistics Act* requires guarantors for applications for birth certificates for anyone over the age of nine. After this requirement was introduced in 2001, ServiceOntario staff regularly conducted random audits of guarantors' information to validate their qualifications, including having Canadian citizenship, having known the applicant for at least two years, and holding a public position or professional occupation that meets the requirements stated in the Act.

In 2014, ServiceOntario completed an analysis on the effectiveness of guarantor audits for birth certificate applications and determined that the random audit of guarantors did not add value to the existing application screening process for verifying the eligibility of applicants. ServiceOntario indicated that the existing guarantor audit process is only used to verify the credentials of the guarantor, not to verify that the applicant is entitled to a birth certificate or that the information provided about the applicant is correct. The audit process was therefore eliminated in August 2014. However, ServiceOntario will retain the requirement to provide guarantor information because, if required, this information can be used to verify whether or not statements that applicants have provided are

accurate. With respect to verifying the eligibility of applicants, ServiceOntario will continue its existing authentication process by comparing the information provided by the applicant with the birth registration on record.

- *and consider updating its birth certificate identity document to the newer polymer composition and design standard to minimize identity theft, forgery and loss;*
  Status: Fully implemented.

Details

ServiceOntario decided to go ahead with polymer birth certificates after conducting further analysis on their feasibility by assessing cost implications and looking at the experiences of other Canadian jurisdictions. In April 2015, ServiceOntario started issuing polymer birth certificates.

- *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;*
  Status: In the process of being implemented by March 31, 2016.

Details

In our 2013 audit we found that ServiceOntario's quality assurance processes were uncovering a very high number of transaction errors even though staff received ongoing support with regard to conducting higher-risk transactions and transactions that require policy interpretation and adjudication. In February 2015, ServiceOntario initiated the ServiceOntario Improvement Project to address processing errors uncovered through their quality assurance audits, specifically in scenarios where original documents cannot be authenticated electronically for assessments that occur during original

registrations (for example, a guarantor form used in place of a residency document).

The project engaged a task force of subject matter experts who analyzed potentially high-risk health card transactions and then made recommendations on how to mitigate risk. The first phase of the project was completed in February 2015. The task force's recommendations called for additional staff training, improved procedure guidelines for use by counter staff and requiring a manager to review documents before counter staff complete a high-risk transaction. ServiceOntario started to develop and implement these recommendations during the project's second phase, which began in April 2015 and is expected to be completed by March 31, 2016.

- *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;*
  Status: In the process of being implemented by March 31, 2018.

Details

In February 2015, ServiceOntario received government approval for its conversion strategy, with all red-and-white health cards to be removed from circulation by the end of 2018. It has set an internal, earlier target for completion by the end of 2017. ServiceOntario reported that, from April 2013 to March 31, 2015, the number of cardholders invited weekly to convert to a new photo health card increased from 750 to 24,000. It also reported that 360,986 conversions were completed in 2014/15 (a 79% increase compared to 2013/14). In total, more than 436,000 red-and-white cards were removed from circulation in 2014/15 (a nearly 100% increase compared to previous years). The reasons they were removed from circulation included cardholder deaths and the Ministry of Health and Long-Term Care cancelling inactive cards. As of the July 31,

2015, approximately 200,000 conversions were completed from the beginning of the fiscal year starting April 1, 2015. As of March 31, 2015, 2.5 million red-and-white health cards remain in circulation compared to 3.18 million as of March 31, 2013.

- *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;*
  Status: In the process of being implemented. This is a long-term project which may extend to five years or more.

Details

In September 2014, ServiceOntario created a focus group that consulted with the Ministries of Transportation, Health and Long-Term Care, and Natural Resources and Forestry. The group concluded that the business case for implementing a single card was not feasible based solely on the savings represented by manufacturing only one type of card. The group determined that it would need to also quantify and include the benefits and savings that would incur to ministries' programs by having more efficient operations from using a common smart card, such as reducing the need to input information on clients by each program area and sharing information between programs. According to ServiceOntario, without including program-area operational efficiencies, factors contributing to the negative financial projections included the cost of initial client registration, client data harmonization processes and the compensation structure of the current card manufacturing contract. ServiceOntario and the partner ministries projected that, if program-area operational efficiencies are not included, a net savings of approximately $500,000 would accrue (at the earliest, in year six of implementation), along with a payback period of 12 years and a ten-year net present value of negative $7 million.

ServiceOntario also engaged an external firm in 2014 to complete a jurisdictional analysis and develop the business case for conversion to smart cards in Ontario. According to ServiceOntario, research on best practices that emerged from this work indicates that an integrated smart card is a key to transforming government services to a one-window approach, and to help reduce fraud.

At the time of our follow-up, ServiceOntario was developing a broader detailed business case that would take into account the operational efficiencies ministries would gain by having a government-wide identity approach and digital government strategy, and a common smart card. ServiceOntario informed us that the technical assessment, preliminary policy review and initial consultations would be completed by the first quarter of 2016/17.

- *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*
  Status: Fully implemented.

Details

Effective January 1, 2015, the Ministry of Transportation implemented a new process that requires applicants for farm plate registration to provide proof of a farming business. Acceptable proof includes an accredited farm organization membership card, Gross Farm Income Exemption Certificate, a letter from the Ministry of Agriculture, Food and Rural Affairs' Appeal Tribunal indicating religious exemption, or a letter from Agricorp indicating the individual's Farm Business Registration number. In order to make required proof of farming business consistent across ministries, the Ministry of Transportation aligned the definition of "farmer" under the *Highway Traffic Act* with the definition used by the Ministry of Agriculture, Food and Rural Affairs in the *Farm Registration and Farm Organization Funding Act*.

- *improve processes for issuing accessible parking permits, and introduce changes that would make it easier to identify abusers.*
  Status: In the process of being implemented by December 2015.

Details

ServiceOntario consulted municipalities on tracking the number of Accessible Parking Permits seized by their law enforcement operations in late 2013, which resulted in ServiceOntario establishing an updated process for municipalities to report and return seized permits.

By December 31, 2015, ServiceOntario will implement a new policy on Accessible Parking Permits that would require customers to show identification (as well as proof of authorization if acting on someone's behalf) in order to get a new permit or renew an existing permit. Beginning in late 2015, ServiceOntario also plans to cross-reference parking permits with death certificates issued by the Ontario Office of the Registrar General to cancel parking permits belonging to individuals who are deceased.

At the time of our follow-up, ServiceOntario was also planning a procurement process that would enable vendors to submit proposals for the production of parking permits that will meet ServiceOntario's security, durability and cost-effectiveness requirements. It is currently putting together information on the specific security features required to ensure copy resistance; tamper, erasure and modification resistance; and counterfeit resistance (for example, holograms and embossing). ServiceOntario had not developed a timeline for completion of the procurement process at the time of our follow-up.

In our 2013 report, ServiceOntario indicated that it would explore opportunities for collaborating with the Ministry of Transportation to incorporate the Accessible Parking Permits program into the Medical Reporting Modernization Project, which would allow regulated health practitioners to facilitate the direct submission of approved Accessible Parking Permit applications and the

immediate production of temporary permits. Since then, ServiceOntario has engaged with the Ministry of Transportation on this multi-year initiative, renamed "Electronic Submissions for Medical Review," which will meet the needs of the Accessible Parking Permits program. At the time of our follow-up, ServiceOntario and the Ministry of Transportation had concluded their initial feasibility discussions, but no date had been established for completion.

Quality Control Over Processing Transactions

Recommendation 5

To ensure that transactions are processed in accordance with legislation and established procedures, and 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;*

    Status: In the process of being implemented by March 31, 2016.

Details

In early 2014, ServiceOntario established a task force under its Service Quality Improvement Project to improve driver and vehicle transactions. ServiceOntario informed us that the task force has addressed processing errors uncovered in their audits and that fiscal performance data reflected a 99.95% accuracy rate (when considering only more significant errors) in the completion of transactions, which equates to roughly 500 more significant defects per million transactions. ServiceOntario informed us that since our 2013 audit it has made substantial changes to the Licensing and Control System, which is the Ministry of Transportation's system used to process and record driver and vehicle transactions. Now only more significant

errors are identified and reported, allowing it to focus only on these. In November 2013, ServiceOntario introduced the use of data analytics to monitor transactions in the Licensing and Control System. Some of the functionalities of the auditing software include detecting and correcting processing errors and identifying instances of multiple transactions when only one was required. Along with executive reporting on data analytics, management at ServiceOntario is now able to obtain results by region, manager, office or operator, allowing it to continually improve its operations. ServiceOntario informed us that this data is not consolidated by region but that it was investigating options to make it easier for various internal groups to access regional data.

At the time of our follow-up, ServiceOntario was evaluating the possibility of expanding the use of data analytics to other business lines, such as analyzing health card transactions; however, no date has been established for completing this analysis. In addition to considering data analytic tools to detect errors as discussed earlier, in February 2015 the ServiceOntario Improvement Project has developed recommendations for improving training, guidelines and management oversight over high risk health-card transactions. Since April 2015 it was in the process of implementing the recommendations and expected to be completed by March 31, 2016.

ServiceOntario is also improving its Quality Assurance Audit program, which provides performance diagnostics by measuring program integrity, customer experience, stock management and financial monitoring. The program was implemented in 2006 to ensure that services were being delivered consistently with program policy. Improvements to the program are based on our 2013 audit, a 2014 Internal Audit report, and best practices around industry quality assurance and risk management. The redesigned program was implemented in July 2015 at both publicly and privately run in-person 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;*
  Date when ServiceOntario has committed to fully implement recommended action: March 31, 2016.

Details

Since our 2013 audit, ServiceOntario has worked with partner ministries, including the Ministry of Health and Long-Term Care and the Ministry of Transportation, to improve the security and integrity of registration and licensing databases by sharing its information from the Vital Statistics database. For instance, ServiceOntario has worked on further sharing of birth, change of name and death information with the Ministry of Health and Long-Term Care and with the Ministry of Transportation, updating their health-card and driver and vehicle licencing databases, respectively. Revised data-sharing agreements were signed with both ministries in 2013 and 2014 that allowed for sharing death-registration information. ServiceOntario says it will begin assessing processes for sharing birth-data information from the vital statistics database with the Ministry of Health and Long-Term Care in the fall of 2015 with a plan to finalize new processes by March 31, 2016. For example, ServiceOntario was planning to amend a birth registration in the case of a name change and provide the information to the Ministry of Health and Long-Term Care.

- *improve its systems for cancelling identity documents for people who have died; and*
  Status: Fully implemented.

Details

In addition to providing regular notification of deaths to the ministries of Health and Long-Term Care and Transportation, ServiceOntario shared historical death data reports with the Ministry of Health and Long-Term Care that were matched against the health-card database. This made it possible to identify and deactivate 29,627 health cards that were still in circulation although the cardholders had been deceased. ServiceOntario expects to perform further analysis on partial data matches to inform additional changes to death notification systems.

- *co-ordinate with the Ministry of Health and Long-term Care, the Ministry of Transportation and the Office of the Registrar General, as well as the Office of the 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 ID documents.*
  Status: Little or no progress.

Details

ServiceOntario indicated that the sharing of address-change information between ministries' databases, including this information for the health card records of the Ministry of Health and Long-Term Care and this information for the driver and vehicle registration records of the Ministry of Transportation, will depend on a policy framework that supports further ministry integration (including the concept of the smart card, which was discussed in the details for Recommendation #4) and that provides the required policy and/or legislative authority for data-sharing. This is because the sharing of address-change information requires policy and legal consultation among multiple ministries and the Information and Privacy Commissioner, and amendments to existing agreements with partner-ministries. As a result, ServiceOntario decided that any changes to allow for sharing of address-change information will be completed as part of the development of the business case for the smart card. No date has been established for completion.

Nevertheless, as noted previously, ServiceOntario has made progress in other areas, including sharing death data reports from its Vital Statistics database with the Ministry of Health and Long-Term Care and the Ministry of Transportation,

and is also in discussions with the former to share name-change information.

Teranet IT Performance Monitoring

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.
Status: Fully implemented.

Details

Following our recommendation, ServiceOntario and Teranet agreed to have an external firm with management, auditing and IT expertise examine the design of controls related to the electronic land registration services, including over disaster recovery, organization structure, user access to data, and monthly reporting on performance. The firm issued a report concluding that in all material respects, Teranet was meeting the control objectives that were required as part of its agreement with the Ministry of Government Services to ensure the system operated reliably and as intended, as of April 30, 2014. It was also ensuring that the controls in place were suitably designed to provide reasonable assurance that systems operated effectively.

In May 2015, ServiceOntario received a detailed audit report from the firm that provided evidence that the controls identified as of April 30, 2014 were in place at Teranet and operating effectively during the one year period from April 1, 2014, to March 31, 2015. ServiceOntario will continue to receive these reports annually.

ServiceOntario should also periodically test its copy of the land registry program software.
Status: Will not be implemented. We continue to believe that ServiceOntario should independently verify the land registry program software to ensure it can use the program without further support and co-operation from Teranet.

Details

ServiceOntario has decided not to periodically independently test the source code because the cost is too high. Instead, it will rely on annual audits by an external auditor to continue to validate that Teranet's operating controls over electronic land registration services are effective.

ServiceOntario's investigation into cost-effective means to independently verify and test its copy of the land registry program software indicated that the process would require implementing and maintaining a mirrored IT system. ServiceOntario informed us that it received an estimate from Teranet for the cost of acquiring IT systems and independently testing the source code, which was approximately $3 million in the first year, and $320,000 annually thereafter.

ServiceOntario consulted with external vendors on the scope of effort required to establish an arrangement that would allow it to rely on the copy of source code. Those consultations indicated that the costs and resources required would be significant because of the learning curve that any developer outside Teranet would face in trying to rebuild the system. ServiceOntario also examined the estimate received from Teranet with the Government Services Integration Cluster, which recommended that duplication of the system would represent poor value for money when there are alternate business continuity provisions in place in the Ministry's agreement with Teranet. The agreement includes provisions for an orderly transfer of the land registry system to either ServiceOntario or an alternate service provider.

As a result of not acting on our recommendation, ServiceOntario continued to not know if it has a reliable copy of the land registry program software, or even if the copy of the software it receives is complete and functional.