Office of the Auditor General of Ontario

Annual Report
2016

Follow-Up Reports on Value-for-Money Audits

Volume 2 of 2

Office of the Auditor General of Ontario

To the Honourable Speaker
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased
to submit to you Volume 2 of the *2016 Annual
Report* of the Office of the Auditor General of
Ontario to lay before the Assembly in accordance
with the provisions of section 12 of the *Auditor
General Act*.

Bonnie Lysyk
Auditor General

Fall 2016
Toronto, Ontario

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Auditor General of Ontario

Reflections

Reflections

At the Office of the Auditor General, we audit a wide range of services and programs delivered by government, agencies of the Crown and organizations in the broader public sector, and identify areas that need improvement. We take great care to make practical recommendations from our audit findings that these entities can implement to improve the services they provide to Ontarians.

We believe that identifying problems and offering potential solutions is only the first step; the real work begins when those responsible take action to put our recommendations into practice. It is for this reason that a key part of our Office's work is to follow up on our past audits to assess the progress made on our recommended actions.

Our follow-up work consists mainly of discussions with, and review of supporting documents provided by, the government, relevant ministries and broader-public-sector entities we've audited. We appreciate their continued co-operation in providing us with comprehensive status updates.

This year, for the first time, our Office has produced a new volume (Volume 2) dedicated to the follow-ups we have completed, including follow-up reports on our 2014 value-for-money audits, on the previously issued special reports, and on the recommendations issued by the Standing Committee on Public Accounts in the last year.

Value-for-Money Audits

This year's report contains 12 follow-up reports from the value-for-money audits published in our *2014 Annual Report*. Consistent with previous years, we note that progress has been made toward implementing the majority (75%) of our recommended actions, including 40% of them that have been fully implemented. We are encouraged by the considerable improvements made to a number of programs, including:

- **Licensed child-care facilities**—The Ministry of Education has taken action on most of our recommendations, aimed at improving the health and safety of children in child-care centres. This includes establishing an Enforcement Unit and implementing risk-based licensing to improve the inspection process for child-care centres.
- **Ontario Immigrant Nominee Program**—The Ministry of Citizenship and Immigration has either fully implemented or is in the process of implementing about 86% of our recommended actions to the program, which selects and recommends to the federal government potential immigrants who will contribute to Ontario's economy. We believe the actions taken will help ensure that qualified nominees are selected for the program and will deter immigration fraud.

- **Source water protection**—The Ministry of the Environment and Climate Change has taken considerable steps to implement recommendations we made toward the protection of existing and future sources of drinking water in Ontario. This includes approving all 22 source-water-protection plans developed for the province's 19 source-water-protection regions. In the spring of 2016, it also signed funding agreements with all 19 Source Protection Committees to help them provide support to municipalities for plan implementation.

- **Infrastructure Ontario**—Infrastructure Ontario has implemented all of the recommendations from our *2014 Annual Report* that were aimed at ensuring sufficient monitoring and tracking of the loans made under its loan program. As well, Infrastructure Ontario either has fully implemented or is in the process of implementing 83% of our recommendations relating to its Alternative Financing and Procurement (AFP) approach. For example, it has increased the threshold for AFP project delivery to $100 million. Some additional areas for improvement include gathering empirical data to support the valuation of risks in the value-for-money assessment used to justify the AFP approach, and ensuring that risks assumed to be transferred in the value-for-money assessments are reflected in the project agreements.

While we are encouraged by the progress made on many of the recommendations made in our *2014 Annual Report*, we have also noted a few areas where little or no action has been taken:

- **Immunization**—While the Ministry of Health and Long-Term Care has finalized a strategy to overhaul its immunization program, we feel that its targeted implementation date of 2020 is further away than we would expect, given the importance of the program to public health in Ontario. We also note that there has been little progress made toward implementing our recommendations relating to publicly reporting immunization rates at daycares, identifying schools with low immunization rates and providing vaccinations to all immigrants before they enter Ontario.

- **Smart meters**—About 20% of our recommendations on this initiative, which is intended to manage demand for electricity in Ontario, have been fully implemented. While the Ministry of Energy is in the process of implementing our recommendations for considering alternatives as part of the long-term energy planning process and ensuring ratepayer concerns are addressed properly and in a timely manner, little to no progress has been made to reduce the duplication of smart-meter processing costs, and ensure that Ontario's electricity supply and demand forecasts are critically re-evaluated periodically.

- **Palliative care**—The Ministry of Health and Long-Term Care has indicated that it is in the process of developing a co-ordinated system that will support more integrated delivery of palliative care (which focuses on the relief of pain and other symptoms for patients with advanced illnesses). However, since this system is still in the planning stages, none of the recommendations we made in our 2014 audit had been fully implemented at the time of our follow-up.

Special Reports

Our special reports are written at the request of the Standing Committee on Public Accounts (Committee) or by a Minister of the Crown, usually in response to topical issues of concern to the people of Ontario. **Chapter 2** of this report notes the progress made since we issued the special reports *Ontario Lottery and Gaming Corporation's Modernization Plan*, *Ornge Air Ambulance and Related Services* and *Winter Highway Maintenance*.

In our special report on the Ontario Lottery and Gaming Corporation's (OLG) Modernization Plan (tabled in April 2014), we noted that the project

timeline was ambitious and financial projections were overly optimistic. At the time of our report, OLG was expected to complete all modernization-related procurements by March 2015. It has since revised its approach and has extended its deadline for procurements to August 2018. We plan on providing another update at that time.

A follow-up to our 2012 special report on Ornge air ambulance and its related services was conducted at the request of the Committee as part of its own review of Ornge (also discussed in this report). We are encouraged that the majority of our recommendations have been either fully implemented or are in the process of being implemented. They include the Ministry of Health and Long-Term Care improving its oversight of Ornge's operations and performance, and efforts by Ornge to streamline its corporate structure and operations. We would like to see more progress made on our recommendations to assess the demand for critical-care land ambulance services and to determine the optimal number of these land ambulances needed.

The Minister of Transportation was proactive in formally requesting our Office to follow up on our 2015 special report on winter highway maintenance one year after the report. The Ministry of Transportation has fully implemented recommendations relating to improving contractor performance and public awareness of winter road conditions, and has made significant progress on making needed changes to how it manages contractors that perform winter maintenance. We recognize that, since performance-based contracts are in effect until 2026, it will take the Ministry until then to fully implement all of our recommendations.

Reports Issued by the Standing Committee on Public Accounts (Committee)

Members of the Committee, which is composed of MPPs from all parties of the Legislature and supported by its Committee Clerk and legislative researchers, are dedicated to improving govern-

ment programs and services delivered to—and funded by—the people of Ontario. In addition to holding hearings on chapters in our annual reports or our special reports, the Committee makes observations and issues recommendations in its own reports, which further promote positive change by the entities we audit.

Chapter 3 of this report includes follow-ups we have conducted on the Committee's recommendation covering a wide variety of programs and services. We continue to see a positive response from government and agencies in the broader public sector to the Committee's work. In particular, we note that all actions recommended for both cancer screening programs and educational programs for Indigenous students either have been fully implemented or are in the process of being implemented. We would like to see more improvement in the Financial Services Commission of Ontario's regulatory oversight of pension plans and financial services, since nearly half of the Committee's recommendations either have not yet been implemented or are not planned to be implemented.

Acknowledgements

The information contained in both this report and **Volume 1** of our *2016 Annual Report* is the result of the excellent work of the dedicated staff of my Office. On their behalf, I would like to thank the many people in the public and broader public sectors who have assisted us in the completion of this year's follow-up reports. We look forward to continuing to serve the Legislative Assembly and, through it, the citizens of Ontario.

Sincerely,

Bonnie Lysyk
Auditor General of Ontario

Chapter 1

Follow-Up Reports on *2014 Annual Report* Value-for-Money Audits

Summary

It is our practice to make specific recommendations in our value-for-money audit reports and ask ministries, agencies of the Crown and organizations in the broader public sector to provide a written response to each recommendation, which we include in our audit reports in Chapter 3 (Volume 1) of our Annual Report. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken.

In each of the follow-up reports in this Chapter, we provide background on the value-for-money audits reported on in Chapter 3 of our *2014 Annual Report* and describe the status of actions that have been taken to address our recommendations since that time, as reported by management.

Our follow-up work consists primarily of inquiries and discussions with the government, the relevant ministries or broader public sector entities, a review of their status reports, and a review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted us with this work. As this is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will factor into our decisions on whether future audits should be conducted in these same areas.

As noted in **Figure 1**, progress has been made toward implementing 75% of our recommended actions, including 40% of them that have been fully implemented. Little or no progress has been made on 21% of our recommended actions. Four action items (1%) are no longer applicable, and a further 10 action items (3%) will not be implemented. More specific details are presented in the sections that follow **Figure 1**.

Figure 1: Overall Status of Implementation of Recommendations from Our *2014 Annual Report*

Prepared by the Office of the Auditor General of Ontario

Report Section	# of Recs	# of Actions Recommended	Status of Actions Recommended				
			Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
1.01 Adult Community Corrections and Ontario Parole Board	10	21	7.0	10.0	4.0	–	–
1.02 Child Care Program (Licensed Daycare)	10	43	27.5	9.0	4.5	2	–
1.03 Financial Services Commission of Ontario—Pension Plan and Financial Service Regulatory Oversight	9	33	17.0	4.0	11.0	1	–
1.04 Immunization	11	24	1.0	9.5	12.5	1	–
1.05 Infrastructure Ontario—Alternative Financing and Procurement	10	12	6.0	4.0	2.0	–	–
1.06 Infrastructure Ontario's Loans Program	3	3	3.0	–	–	–	–
1.07 Ontario Energy Board—Natural Gas Regulation	6	12	4.0	7.0	1.0	–	–
1.08 Palliative Care	11	21	–	12.0	9.0	–	–
1.09 Provincial Nominee Program	14	58	35.0	15.0	3.0	2	3
1.10 Residential Services for People with Developmental Disabilities	11	31	6.0	17.5	6.5	1	–
1.11 Smart Metering Initiative	11	19	4.0	8.0	3.0	3	1
1.12 Source Water Protection	10	17	7.0	7.0	3.0	–	–
Total	**116**	**294**	**117.5**	**103.0**	**59.5**	**10**	**4**
%		**100**	**40**	**35**	**21**	**3**	**1**

Chapter 1

Ministry of Community Safety and Correctional Services
and Ministry of the Attorney General

Adult Community Corrections and Ontario Parole Board

Follow-Up on VFM Section 3.01, *2014 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		3		
Recommendation 2	1	1			
Recommendation 3	4	2	1	1	
Recommendation 4	1		1		
Recommendation 5	2		2		
Recommendation 6	2		1	1	
Recommendation 7	3	2	1		
Recommendation 8	1	1			
Recommendation 9	3		1	2	
Recommendation 10	1	1			
Total	**21**	**7**	**10**	**4**	**0**
%	**100**	**33**	**48**	**19**	**0**

Background

The Ministry of Community Safety and Correctional Services (Ministry) supervises and provides rehabilitative programming and treatment to adult offenders serving sentences in the community. The overall goal is to help offenders not reoffend and reduce the risk to the public. During the fiscal year of April 1, 2015, to March 31, 2016, there were 32,440 newly sentenced offenders serving community-based sentences (compared to 37,490 newly sentenced offenders from April 1, 2013, to March 31, 2014), which include probation, conditional sentences, parole and temporary absences. On an average day, the Ministry is responsible for supervising about 44,000 offenders.

The Ontario Parole Board (Board) is a quasi-judicial independent administrative tribunal that derives its authority from both federal and provincial legislation. The Board is a constituent tribunal of the Safety, Licensing Appeals and Standards Tribunal of Ontario and reports into the Ministry of the Attorney General (MAG). Ontario and Quebec are the only provinces with their own parole

boards. Other provinces have arrangements with the Parole Board of Canada.

In our *2014 Annual Report*, we concluded that overall there continues to be substantial room for improvement in the Ministry's supervision of and rehabilitative programming for offenders serving their sentences in the community. For instance, little headway had been made over the last decade in reducing the overall reoffend rate. Specifically, the overall average reoffend rate for these offenders increased slightly over 10 years from 21.2% for offenders released in 2001/02 to 23.6% for offenders released in 2010/11. We noted during this follow-up that there has been a minor improvement in the overall reoffend rates. The Ministry's latest data shows that the reoffend rate has decreased to 22.3% for offenders released in 2011/12 and 20.7% for offenders released in 2012/13. To assess the reoffend rate, the Ministry keeps track of offenders for two years after their release. The next set of data available for offenders released in 2013/14 will be available later this year.

Other significant issues reported in our *2014 Annual Report* included the following:

- Processes were not sufficient to ensure that probation and parole officers completed risk assessments for all offenders within the required six weeks of the offender's initial intake appointment with a probation and parole officer as per Ministry policy. The timely completion of this risk assessment is critical to establishing an effective offender management plan, which details supervision requirements and rehabilitation needs during the community sentence period.

- The Ministry did not have reliable and timely information on offenders who breached conditions of their release. As well, probation and parole officers did not use effective measures to ensure that more stringent conditions imposed by courts, such as curfews and house arrest, were enforced.

- We found that lower-risk offenders were often over-supervised and higher-risk offenders were under-supervised.

- Many probation and parole officers were not sufficiently trained to effectively oversee higher-risk offenders or those with mental health issues. The Ministry estimated that the number of offenders with mental health issues has grown 90% over the last 10 years to 10,000 offenders, representing at least 20% of the number of offenders supervised each day. This trend continued, and from April 1, 2015, to March 31, 2016, the Ministry supervised about 7,000 offenders with mental health issues, which represented 21.1% of the number of offenders admitted for the fiscal year.

- Rehabilitation programs intended to reduce the risk of offenders reoffending are not consistently available across the province. We found that about 40 of 100 probation and parole offices did not have core programs, such as anger management and substance abuse, available to offer to their offenders.

- The Ministry did not evaluate the quality of external rehabilitation programs to determine whether they were effective in contributing to an offender's successful reintegration into society or whether the programs were helping to reduce the reoffend rate.

- Only half the number of inmates applied to the Ontario Parole Board for a parole hearing in 2013/14 as applied in 2000/01. This continued to be the case at the time of our follow-up. Low parole participation rates can be attributed to a number of factors including shorter sentences, the lengthy and onerous process in place for inmates to apply for a parole hearing, and the low approval rate.

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

Status of Actions Taken on Recommendations

The Ministry of Community Safety and Correctional Services (Ministry) and the Ontario Parole Board (Board) provided us with information in the spring and summer of 2016 on the current status of the recommendations we had made in our *2014 Annual Report*. The Ministry has made progress in implementing most of the recommendations, with a third of the recommendations fully implemented. However, there has been little or no progress on others. The Ministry informed us that the delay in implementing some of our recommendations was due to a prolonged collective bargaining process with the Ontario Public Service Employees Union that began in November 2014 and lasted for 15 months.

We noted that the Ministry has fully implemented our recommendations with respect to:

- completing risk assessments and offender management plans;
- identifying ways to better distribute the workload among probation and parole officers;
- ensuring that offender information shared with private service providers is adequately protected;
- ensuring employees have proper levels of security clearance before they receive access to the Offender Tracking Information System (OTIS); and
- ensuring that information system projects adhere to Ontario Public Service project management standards.

Also with the support of the Ministry of Community Safety and Correctional Services (Ministry), the Ministry of the Attorney General led a review of the mandate of the Ontario Parole Board to assess cost-effectiveness, benefits and any barriers that have been or are expected to be created as a result of the decision to change the Board's reporting and accountability relationship. The report of this mandate review was released in December 2015.

The Ministry was in the process of implementing more than half of our recommendations, mainly in the areas of:

- targeting its resources, programs and services to higher-risk offenders;
- conducting a jurisdictional scan to analyze Ontario's expenditures and program outcomes;
- working with other jurisdictions to develop common measures for results reporting;
- developing an action plan to address the risks and needs of offenders with mental health issues; and
- addressing long-standing security issues regarding OTIS.

However, the Ministry has made little to no progress with respect to:

- ensuring that untrained probation and parole officers follow Ministry policy to ensure that when they supervise higher-risk cases, they are routinely consulting with trained staff members and are documenting the results of the consultations;
- formally tracking the number of offenders who attend and complete externally sourced programs and assessing the effectiveness of these programs; and
- ensuring that there is sufficient support at each correctional institution to assist inmates who want to apply for parole or temporary absence, and tracking and assessing the delays in completing the parole and temporary absence program applications and the reasons for the high denial rates.

The status of the actions taken on each recommendation is described in the following sections.

Recommendation 1

In order for the Ministry of Community Safety and Correctional Services to enhance community safety through effective supervision and by reducing reoffend rates of offenders serving their sentences in the community, it should:

- *strategically target its resources, programs and services to higher-risk offenders, with a long-term goal of reducing their high reoffend rates;*
Status: In the process of being implemented by September 2018.

Details

During our 2014 audit, we found that, although there was a small improvement in the reoffend rate between 2002 and 2011, the rates for reoffending remained significant for medium-, high- and very-high-risk offenders. These minimal improvements indicated that the Ministry's rehabilitation programs and its approach to changing offenders' behaviour after supervision needed to be more effective.

Since our audit, in January 2015, the Ministry hired 13 new program delivery officers to conduct rehabilitative programming specifically for medium- to high-risk offenders. Programs include anger management and sexual offender relapse prevention. As part of their responsibilities, program delivery officers also conduct gap analysis of rehabilitative programs to identify and recommend any changes and additions to current programs. In April 2016, the Ministry also hired two new program managers to oversee these initiatives and to provide support to the new program delivery officers.

Because reoffend rates are measured two years after programs are completed, the Ministry was not able to provide data, as of our follow-up, on how effective these new initiatives and additional resources had been in reducing the rates.

In June 2015, the Ministry began rolling out a new training program for its probation and parole officers. Developed by Public Safety Canada, the program is designed to target the rehabilitation of medium- to high-risk offenders. Training has started in the Eastern Region, with the expected completion by September 2018. The Ministry plans to incrementally train all its officers over the next six years.

The Ministry also informed us that it is on target to complete the automation of its Low Risk Identifier (LRI) tool by December 2016. Once automated, the Ministry hopes to realize efficiencies in the form of additional resources that it plans to redirect toward working with medium- to high-risk offenders.

- *compare and analyze Ontario's expenditures and program outcomes for supervising and rehabilitating offenders with other jurisdictions to assess whether the programs are delivering services cost-effectively; and*
Status: In the process of being implemented by December 2016.

Details

During our 2014 audit, we found the Ministry lacked data for comparing its performance to other provinces (for example, comparing reoffend rates and successful completions of community-based sentences). As a result, the Ministry was not able to assess whether Ontario's lower operating cost for community supervision and rehabilitation programs meant those programs actually are cost-effective or it is not investing enough in them.

At the time of our follow-up, the Ministry was in the process of analyzing Ontario's expenditures and program outcomes for supervising and rehabilitating offenders against those of other Canadian jurisdictions. Preliminary results based on information collected from six jurisdictions (Canada nationally, Quebec, British Columbia, Alberta, Saskatchewan and Yukon) show that Ontario had the third-highest 2014/15 per diem rate for community supervision, at $6.68. Quebec reported the lowest per diem rate of $3.69, and Alberta reported the highest at $7.73 (as of 2011/12). The Ministry was expecting to complete its analysis by the end of 2016 once it receives program outcomes from other jurisdictions. Once it completes its analysis, the Ministry plans to discuss the results at future Heads of Corrections meetings.

- *work with other provincial and federal community correctional counterparts to develop common measures to use to publicly report on its program results and set targets for improvements, particularly for its reoffend rate.*
Status: In the process of being implemented. Timeline is not within the Ministry's control as this work is being led by the Canadian Centre for Justice Statistics.

Details

During our 2014 audit, we found that Canada had no common, generally accepted way to measure the reoffend rate of offenders under supervision and that some provinces do not track it at all. Ontario tracked only new offences that occur after the supervision period, and only for a limited time period.

Since our audit, in November 2015, the Ministry joined a project led by the Canadian Centre for Justice Statistics. The objective of this project is for provinces to share data on recontact rates. It will also look at the proportion of people who had recontact with one or more justice sectors, which include police, courts and corrections, for a two-year follow-up period. Data from this project will then be used to develop standardized, common indicators to allow provinces to compare and publicly report statistical information related to corrections.

In April 2016, the Ministry also began publicly posting reoffend rate information, which it said it plans to do annually.

Recommendation 2

In order to ensure timely assessment of risks to the public of offenders supervised in the community and to establish the appropriate level of supervision and rehabilitation programming and services needed, the Ministry of Community Safety and Correctional Services should strengthen its systems and procedures to allow management to routinely make sure that probation and parole officers have completed and updated all required risk and needs assessments and

offender management plans, particularly for higher-risk offenders.
Status: Fully implemented.

Details

During our 2014 audit, we found that probation and parole officers did not consistently complete offender risk assessments and management plans, even though Ministry policy required a probation and parole officer to complete the risk and needs assessment within six weeks of a new offender's intake appointment.

Following our audit, the Ministry prepared a report on the completion rates of all required risk and needs assessments and offender management plans. It indicated that managers reviewed about 4,000 cases in the 2014/15 fiscal year and that the overall target for compliance was substantially met (ranging between 75% to 94% among the regions). In the 2015/16 fiscal year, managers reviewed 3,865 cases and the overall target for compliance was again substantially met.

In June 2016, the Ministry developed a new quarterly report that identifies the risk and needs assessments and offender management plans that were not completed or were completed late. The Ministry said that this report is shared with regional managers, who are required to follow up on and resolve concerns directly with the responsible probation and parole officers.

In July 2016, the Ministry also began streamlining its case management policies to make them more consistent and help area managers ensure that probation and parole officers comply with policy.

Recommendation 3

In order to ensure that offenders serving sentences in the community are properly supervised and that conditions of their release are adequately monitored and enforced, the Ministry of Community Safety and Correctional Services should:

- *conduct an assessment of the conditions imposed on offenders and whether probation and parole officers have the necessary information and monitoring tools to assure compliance;*
Status: In the process of being implemented by December 2016.

Details

During our 2014 audit, we found the Ministry did not have reliable and timely information on offenders who breach conditions and what probation and parole officers did about these breaches. Having this information would enable the Ministry to track the percentage of offenders who successfully complete their community sentences without breaching any conditions, as well as identify the conditions that are commonly violated and improve its oversight of offenders violating the conditions.

Since our audit, in 2015, the Ministry conducted an assessment on the most common conditions imposed on offenders, as well as the most common reasons for breaches of probation orders and conditional sentences.

In February 2016, the Ministry surveyed probation and parole managers to, among other things, determine the role of police partners in monitoring and laying charges in breaches of certain probation or parole conditions. The Ministry was still analyzing the information, but early results showed that approximately 90% of area offices had relationships with local police that included police monitoring and enforcing house arrest and curfew conditions. The Ministry said it is using information from the survey to identify whether probation and parole officers have the necessary information and monitoring tools to ensure that offenders are complying with the conditions imposed on them. Once this is done by the end of 2016, the Ministry plans to develop action plans to address any gaps.

- *effectively oversee probation and parole officers' activities, including more frequent and timely reviews of officers' handling of cases, improvements to ongoing management reporting of case activities, and periodic independent reviews of cases by someone other than the responsible area manager;*
Status: Fully implemented with ongoing review.

Details

During our 2014 audit, we found that the Ministry's annual and periodic case management reviews noted many occasions when probation and parole officers did not comply with policies. In some of these cases, offenders committed serious crimes. Some of the deficiencies noted were poor supervision of sex offenders, over-supervision of low-risk offenders and under-supervision of higher-risk offenders.

Since our audit, beginning in 2015, the Ministry assigned dedicated staff (other than the responsible area managers) to conduct periodic independent reviews of probation and parole officers' handling of cases, and of the timeliness of their completion of risk assessment and offender management plans. This practice of completing independent reviews will continue. To further strengthen compliance, the Ministry now monitors on a quarterly basis the case review completion rate of each region by gathering and reviewing information on the number of probation and parole officers in the region, the number of case reviews to be done, and actual number of case reviews completed.

- *ensure that its probation and parole officers have the required knowledge and skill beforehand to supervise higher-risk offenders; and*
Status: Little or no progress.

Details

In our 2014 audit, we reported that in only 4% of cases we sampled was there an indication that a probation and parole officer who was supervising an offender with a profile for which they had not received the proper training had consulted with an officer who had such training, as required by policy.

The Ministry conducted an audit of 28 untrained probation and parole officers in October 2015 that showed that compliance with this policy remains

low, as less than a quarter of these officers consulted with their managers or a trained officer. Although the Ministry told us that managers had discussions with those officers who were found to be non-compliant, the audit revealed that those 28 probation and parole officers assigned to higher-risk cases did not have the required knowledge or skill to supervise these offenders. In addition, it also revealed that in the majority of cases, the officers did not consult with their managers or other trained officers, and in some circumstances where they had, these consultations were not documented. The Ministry plans to conduct the next audit in fall of 2016; however, at the time of our follow-up, it was not planning to increase the number of untrained officers it planned to audit or the frequency of the audits.

- *identify ways to better distribute the workload among probation and parole offices, and adjust staffing levels as soon as possible.*
  Status: Fully implemented.

Details

During our 2014 audit, we assessed whether high workloads at certain probation and parole offices were the reason that probation and parole officers did not always follow required supervision policies and procedures. We found that this was possibly the case in some offices but not in all.

Since our audit, the Assistant Deputy Minister of Correctional Services and regional directors have continued to meet at least twice a year to analyze the workload and caseload numbers and address high workloads. Three meetings took place in 2015, and vacant positions in offices with lower workloads were reassigned to offices needing more staff to deal with workload pressures.

To further address workload pressures, the Ministry started to hire 25 additional probation and parole officers in April 2016. Most of the new officers had been hired when we completed our follow-up.

Recommendation 4

In order to effectively address the risks and needs of offenders with mental health issues, the Ministry of Community Safety and Correctional Services should establish a Ministry-wide strategy that includes training for probation and parole officers to recognize, supervise and assist these offenders, and that provides the resources and tools to support the officers and offenders. Once the strategy is implemented, the Ministry should track and measure the effectiveness of its programs and services specifically provided to offenders with mental health issues.
Status: In the process of being implemented by 2021.

Details

We reported in our 2014 audit that offenders with mental health issues had a significantly higher average reoffend rate than the average reoffend rate for all other offenders. The Ministry did not have a provincial strategy to address mental health and related issues for offenders under community supervision and did not know whether its programs and services in this area were effective.

Since our audit, in early 2016, the Ministry established a working group to develop a multi-year mental health action plan, which had met several times. The action plan will update and develop training, tools and resources for probation and parole officers who supervise and assist offenders with mental health issues. Once completed, the action plan will be presented to the Community Services Executive Committee for review and approval. The plan's rollout is scheduled to start in 2017, and it is to be fully implemented by 2021.

The Ministry told us it will track and measure the effectiveness of the programs and services coming out of the action plan.

Recommendation 5

To ensure equitable access to effective rehabilitative programs for offenders, the Ministry of Community Safety and Correctional Services should:

- *regularly track the availability of and wait times for rehabilitative programs and services for offenders under its supervision across the province, identify areas where assessed offenders' rehabilitation needs are not being met, and address the lack of program availability in these areas; and*
  Status: In the process of being implemented by March 2017.

Details

We noted in our 2014 audit that in December 2012, the Ministry trained area managers to conduct an analysis of whether rehabilitation programming was lacking in their areas (based on what rehabilitation needs were not being met). During our audit, we found that only 35 of more than 100 offices had completed full analyses of program availability.

Since our audit, by mid-2015, all offices had completed the analysis of program availability. The Ministry told us at the time of our follow-up that regions were addressing identified programming gaps and that this work would be an ongoing activity.

During our 2014 audit, all five offices we visited indicated that several popular programs, particularly those delivered by external service providers, had long wait times of up to several months but that they did not formally monitor these wait times.

By March 2017, the Ministry will introduce a new "Waiting List by Program" function in the Offender Tracking Information System (OTIS). OTIS is used to track and manage the case records and activities of all adult and young offenders during their time served in custody and/or in the community. The new function identifies offenders who have been referred to a core program and the duration of time they are on the wait list.

- *ensure it has sufficient and timely information for evaluating its core rehabilitative programs and that it implements changes to help improve their effectiveness in reducing reoffend rates.*
  Status: In the process of being implemented by November 2016.

Details

During our 2014 audit, we found that the Ministry had an internal accreditation process to help ensure its core rehabilitation programs satisfy standards that make them effective in reducing the reoffend rate. However, the Ministry indicated that, as of April 2014, only two of its 14 core programs had achieved accreditation (based on evaluations of their outcomes in reducing the reoffend rate).

In June 2016, the Ministry updated its accreditation process for core rehabilitation programs. One improvement coming out of this update will be the matching of accreditation requirements to the level of intensity of the rehabilitation program. That is, intensive programs will have different accreditation requirements than general orientation programs. Intensive level programs are skill-based, while general orientation level programs are meant to motivate offenders to take part in more intensive level programs. This will enable the Ministry to better evaluate the programs using evidence-based practice and to conduct outcome evaluations to ensure programs are having the intended effect. Beginning in November 2016, the Ministry will use the new process to accredit the remaining programs.

Recommendation 6

To help ensure that programs delivered by external service providers are effective in reducing the reoffend rate and that their funding is commensurate with the value of service provided, the Ministry of Community Safety and Correctional Services should:

- *more formally track the number of offenders who attend and complete externally sourced programs, and assess the effectiveness of these programs; and*
  Status: Little or no progress.

Details

In our 2014 report, we noted that the Offender Tracking Information System (OTIS) did not track the number of offenders who completed core agency or community programs. As a result,

the Ministry had to manually keep track of each offender's progress; however, the tracked information was incomplete.

At the time of our follow-up, offenders' progress was still tracked manually. The current version of OTIS was implemented in June 2016. After a sufficient period of stability post-implementation of the current version of OTIS, the Ministry said that it explored the possibility of more formally tracking offenders' progress in OTIS. Progress in this area is not anticipated until March 2018 at the earliest.

In February 2016, the Ministry created a working group to develop a phased-in plan to formally evaluate a selected number of outsourced and community-based programs. The Ministry estimates such evaluation will take five to six years. The Ministry also hired four new managers to improve management of contracts with external program providers.

- *ensure that approved funding to agencies is comparable to that of programs of a similar nature and size across the province, and is based on the actual usage by offenders.*
  Status: In the process of being implemented by April 2018.

Details

In 2015, the Ministry revised the program descriptions of contracts for various programs such as anger management and substance abuse. These revisions included being more specific about what was expected of external providers and making funding more comparable for programs of similar nature and size. In addition, the Ministry's quality assurance managers for each region will reconcile billing to service provided prior to payment. The Ministry told us that the revised contracts would be rolled out during the next contract cycle, which is scheduled to start in April 2017 and end in April 2018.

Recommendation 7

To better secure and protect offenders' and victims' information, the Ministry of Community Safety and Correctional Services should:

- *address the long-standing security issues regarding its Offender Tracking Information System (OTIS);*
  Status: In the process of being implemented by March 2017.

Details

As part of a major system upgrade, in June 2016, the Ministry upgraded OTIS with new security features, such as data encryption and a high-security data integrity tool. The upgrade also included transitioning generic accounts to named user accounts. The Ministry anticipates that all these new security features will become fully functional by March 2017, after a required post-implementation system stability period. Since July 2015, the Ministry also addressed issues regarding password management by adopting Ontario Public Service security requirements. OTIS users are now required to change their passwords every 60 days and all passwords must consist of a minimum of eight characters.

- *ensure that it has reliable assurances that offender information shared with private service providers is adequately protected; and*
  Status: Fully implemented.

Details

During our 2014 audit, we found that the Ministry could not ensure that information on offenders who were electronically monitored by a private service provider was secure. The Ministry also did not know if criminal record checks were done for personnel employed by this service provider. We further found that the Ministry was not reviewing the monthly operational reports it received from this service provider.

The Ministry told us that it began regularly meeting with and monitoring the service provider

after the audit, and that no private-information breaches have been reported. The Ministry also told us that offender data is encrypted in accordance with its policy and that the private contractor responsible for the host server that stores this data does not have access to it.

The Ministry now also has up-to-date criminal record checks on file for all service provider personnel who have access to offender data. In addition, the Ministry assigned a contract compliance manager to review the service provider's monthly operational reports and now requires that all issues be resolved with the service provider prior to the approval of the monthly invoice.

- *ensure that proper levels of security clearance are in place for all government and contract employees before they receive access to OTIS and other offender and victim information systems.*
  Status: Fully implemented.

Details

OTIS is maintained by the Justice Technology Services Division. During our audit in 2014, we found that the Division could not demonstrate that it had valid background checks for 40% of its more than 300 information technology employees. The Ministry informed us that during 2015, it worked to correct this and that all Division employees (including consultants) who use OTIS now have appropriate police background checks and security clearance. The Ministry also told us it has worked with Infrastructure Technology Services to implement new processes and forms to ensure that user accounts can be readily activated and deactivated based on Ministry requirements.

Recommendation 8

To ensure that information system projects adhere to Ontario Public Service project management standards, are delivered on time and within budget, and meet user expectations, the Ministry of Community Safety and Correctional Services should coordinate with the Justice Technology Services Division

to establish project baselines for scope, budget and schedule; monitor progress and costs regularly against project milestones and budgets; and document and justify any significant changes against the initial deliverables.
Status: Fully implemented.

Details

In November 2015, the Ministry and the Justice Technology Services Division implemented a joint planning process and governance structure to establish project portfolios and budget allocation on a priority basis. Furthermore, the Division implemented monthly dashboards to report on project status, finance, scope and project milestones. The Division has also implemented a project management tool to keep track of and report on all projects. These enhancements were implemented across projects that the Division supports, which includes OTIS.

Recommendation 9

In order to help more inmates reintegrate into society while protecting public safety and reducing incarceration costs and overcrowding in correctional facilities, the Ontario Parole Board should work collaboratively with the Ministry of Community Safety and Correctional Services to:

- *provide sufficient support at each correctional institution to assist inmates who want to apply for parole or temporary absence;*
  Status: Little or no progress.

Details

During our 2014 audit, we found that staffing resources to help inmates apply for parole or temporary absence varied greatly across correctional institutions. We also found that institutions with proportionately fewer institutional liaison officers had fewer inmates applying for parole.

Since our audit, the Ministry has made little progress to ensure that there is sufficient support at each correctional institution to assist inmates who

want to apply for parole or temporary absence. The Ministry told us that the delay in responding to our recommendations was caused by the prolonged bargaining process. The Board informed us that it provided additional updated information to inmates that should help them better understand the parole and temporary absences application process.

There were discussions in 2014 between the Board and the Ministry on the possibility of a pilot project on expediting temporary absences, but this project will not be implemented. We were informed that the Transformation Secretariat is looking at a number of options related to alternatives to incarceration.

- *track and assess the delays in completing the parole and temporary absence program applications and the reasons for the high denial rates for parole, using this information to streamline the processes and improve the quality of applications from inmates; and*
  Status: Little or no progress.

Details

We noted in our *2002 Annual Report* that the reintegration of offenders into the community was impacted by a significant reduction in the number of eligible inmates being considered for parole. During our 2014 audit, we found that the situation had worsened and that the Ministry did not track and assess delays in offenders completing their parole and temporary absence applications and the Board did not track the reasons for the high denial rates for parole.

Since then, the Ministry and the Board have made little progress in this area. The Ministry told us that the Institutional Liaison Officer Review Committee is planning to analyze reasons for delays in the parole and temporary absence program application process to see if efficiencies can be achieved. However, this work was put on hold due to the prolonged collective bargaining process. While the Board tracks grant and denial rates for

parole, this data alone is insufficient in identifying the reasons for the high parole denial rates.

- *consider the cost-effectiveness of reintroducing halfway housing for parolees.*
  Status: In the process of being implemented by April 2017.

Details

During our 2014 audit, we found that, in some cases, parole applications were denied because the offender's release plan lacked suitable housing. Ontario discontinued the use of community-based residential facilities (also called halfway houses) in the mid-1990s. Halfway housing provided a bridge between the institution and the community through gradual, supervised release. Our 2014 discussions with the Board indicated that the use of halfway housing could increase the number of inmates granted parole, especially in the case of inmates who are denied parole because they have no confirmed residence plan and/or programming available in the community.

In the summer of 2016, the Transformation Secretariat consulted with internal stakeholders and inter-ministerial partners. It will also consult with academic experts and community agencies to explore opportunities for an integrated case management team approach that supports unique client needs. The Ministry told us that the Transformation Secretariat will continue to explore the expanded use of community residential alternatives, such as healing lodges and housing alternatives for parolees. The Transformation Secretariat will complete the consultations and develop the strategy by April 2017. However, the strategy is a long-term plan that will take 10 to 20 years to fully implement.

Recommendation 10

In view of the Ontario Parole Board's concerns with the recent decision to change its reporting and accountability relationship from the Ministry of Community Safety and Correctional Services to the

new Safety, Licensing Appeals and Standards Tribunals Ontario cluster of the Ministry of the Attorney General, the Board and the two ministries should collaborate to conduct a review of the cost-effectiveness, benefits and any new barriers that have been or are expected to be created by this decision, and whether this change will improve the operations of the Board. Status: Fully implemented.

Details

We noted in our 2014 audit that on April 1, 2013, the Safety, Licensing Appeals and Standards Tribunals Ontario (SLASTO) was created under the Ministry of the Attorney General as an adjudicative tribunal cluster under the *Adjudicative Tribunals Accountability, Governance and Appointments Act, 2009*. The Act was established to have tribunals administered under a common organization (or "cluster") to allow them to operate more efficiently and effectively than they would on their own. The Ontario Parole Board was one of five tribunals transferred to SLASTO. As a result, the Board no longer reports to the Minister of Community Safety and Correctional Services. The Board strongly protested being included in the cluster and reporting to a different ministry, and called for a review of this decision. The Board identified that it did not have the same administrative and training needs as the other tribunals in the cluster.

Since then, with the support of the Ministry of Community Safety and Correctional Services (Ministry), the Ministry of the Attorney General led a review of the mandate of the Ontario Parole Board in 2015. The Attorney General ministry engaged an external reviewer to complete this mandate review and also asked the reviewer to answer specific questions regarding the recommendations we made in our 2014 audit. The external reviewer noted that, overall, it appeared that the decision to change the reporting and accountability relationship of the Board from the Ministry to the Safety, Licensing Appeals and Standards Tribunals Ontario cluster of the Attorney General ministry has been beneficial to the Board, although there were many challenges in terms of management and amalgamating the cultures of the two organizations. However, the external reviewer did not believe the challenges were significant enough to warrant a different structure because the change appeared to better support independent decision-making, operational accountability and cost-effectiveness.

Child Care Program (Licensed Daycare)

Follow-Up on VFM Section 3.02, *2014 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of	Status of Actions Recommended			
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	4	3.0		1.0	
Recommendation 2	6	4.0	1	1.0	
Recommendation 3	4	2.0	1		1
Recommendation 4	4	3.0	1		
Recommendation 5	5	2.0	2	1.0	
Recommendation 6	4	4.0			
Recommendation 7	3	1.0	1	1.0	
Recommendation 8	4	2.5	1	0.5	
Recommendation 9	6	4.0	1		1
Recommendation 10	3	2.0	1		
Total	43	27.5	9	4.5	2
%	100	64	21	10	5

Background

The Ministry of Education (Ministry) is responsible under the *Child Care and Early Years Act* (which replaced the *Day Nurseries Act* on August 31, 2015) and its regulations for ensuring the safety of children in licensed child care operations. These responsibilities include issuing and renewing child care operator licences, inspecting and monitoring licensed facilities, gathering information on serious occurrences in licensed facilities, and investigating complaints.

There are two types of licensed child care operations in Ontario: centre-based and home child care agencies (previously referred to as private-home daycare agencies). Both centre- and home-based care is provided by for-profit and not-for-profit operators, municipalities and First Nations bands. Home child care agencies co-ordinate home-based child care at private residences, with each home caring for six or fewer children. **Figure 1** shows the number of licensed child care centres and home child care agencies in Ontario, along with the system's total licensed capacity, as of March 2014 and March 2016.

Figure 1: Centre-Based Child Care and Home Child Care Agencies in Ontario, 2014 and 2016
Source of data: Ministry of Education

Type of Facility	March 31, 2014			March 31, 2016		
	Licences Issued	# of Locations	Licensed Capactiy	Licences Issued	# of Locations	Licensed Capactiy
Centre-based child care	5,069	5,069	317,868	5,276	5,276	389,286
Home child care	126	5,765	16,142*	122	7,504	29,266*
Total	5,195	10,834	334,010	5,398	12,780	418,552

* Estimated by the Ministry.

In our *2014 Annual Report*, we found that the Ministry needed to do significantly more to reduce the risk and incidence of serious occurrences to children by ensuring that licensed child care operators protect the health, safety and well-being of children in their care. The Ministry could do this by strengthening its inspection processes and related enforcement actions over licensed child care operators.

More than 29,000 serious occurrences were reported to the Ministry by licensed child care operators between January 1, 2009, and May 31, 2014. Serious occurrences include a serious injury to a child, abuse of a child, a child gone missing, fire or other disaster, and physical or safety threats on the premises.

We found that many of these incidents were not reported to the Ministry on a timely basis and that child care operators may not be reporting all serious occurrences to the Ministry.

As well, we noted cases where the same concerns about child health, safety and well-being were noted in multiple inspections, but only a limited number of actions were taken in response over the last five years.

Although the current legislation outlines grounds on which the Ministry can revoke or refuse to renew a licence, we noted there were no guidelines to help staff determine when such enforcement actions would be appropriate.

Other significant issues included the following:

- Over the last five years, program advisors had not inspected about one-third of child care operators before their licences expired. As well, we found many examples where operators with ongoing child health and safety concerns were not being monitored any more closely than well-run child care centres. For example, our sample of operators with provisional licences—operators considered to be high risk—found that more than 80% of them were not inspected until after their licence had expired. Therefore, there was no timely verification that the previously noted safety concerns had been resolved.

- Ontario did not require child care operators and their staff to obtain vulnerable-sector police checks, which are required in Alberta and Saskatchewan. These checks are more thorough than criminal reference checks, and are designed to screen people who work with children or others considered at greater risk than the general public. A vulnerable-sector check is already required by Ontario's Ministry of Health and Long-Term Care for people seeking employment in long-term-care homes.

- The caseloads of Ministry program advisors, who carry out licensing, inspection, complaint and serious occurrences duties, had been growing significantly. Since 2005, the number of child care operators increased by 33%, while the number of program advisors remained relatively constant. As a result, over

half of the program advisors were responsible for the inspection and oversight of more than 100 child care centres each, compared to an average caseload of 65 centres per advisor in 2005.

- Program advisors exercised a great deal of discretion during the course of their work because Ministry policies and guidelines were often vague or nonexistent. For example, there were no guidelines on how to verify that medications, cleaning supplies and other hazardous substances were properly stored and inaccessible to children. We noted that program advisor verification could range from minimal to thorough.

On August 31, 2015, the *Day Nurseries Act* was replaced with the *Child Care and Early Years Act, 2014* (Act), which together with its regulations now outlines the requirements for the health, safety and well-being of children in licensed child care facilities.

The Ministry is phasing in the new legislation over two years, with all requirements to be implemented by September 1, 2017. The most significant changes from the *Day Nurseries Act* and its regulations are in the areas of staff screening measures and criminal reference checks, enforcement, and children's programs.

We made 10 recommendations, consisting of 43 actions needed for improvement, and received the Ministry's commitment that it would take action to address them.

Status of Actions Taken on Recommendations

The Ministry of Education provided us with information in the spring and summer of 2016 on the current status of our recommendations. According to that information, the status is that 85% of our recommended actions are either "fully implemented" or "in the process of being implemented."

Since our audit in 2014, the Ministry has established an Enforcement Unit and implemented a tiered (risk-based) licensing approach for the inspection of child care centres. It has also drafted several program directives in areas such as serious occurrences and complaints, processing new licensing applications, and police record checks.

However, little progress has been made on 10% of our recommended actions, including some that pertain to performance measures, and new applicants. Specifically, the Ministry has more work to do in the areas of developing guidelines to help program advisors assess whether applicants are sufficiently competent to establish child care operations. It also has more to do to develop performance measures to evaluate all aspects of the Ministry's vision, including the quality and accessibility of child care.

Two recommendations will not be implemented. These pertain to developing a risk-based approach for the inspection of home child care agencies, and posting serious occurrences online. We continue to believe that a risk-based approach to inspections should be implemented for home child care agencies, which care for about 29,300 children. We also believe that serious occurrences should be posted online because a parent has the right to know this information when making their child care choice.

The status of the actions taken on each recommendation is described in the following sections.

Program Effectiveness and Reporting

Recommendation 1

To help ensure the delivery of a high-quality, accessible and co-ordinated child care system in Ontario that encourages child cognitive, language and social development, the Ministry of Education should:

- *develop a detailed plan for completing the implementation of the remaining medium term actions from* Modernizing Child Care in Ontario*, including putting mandatory*

provincial program guidelines in place and improving data collection, evaluation and reporting;
Status: Fully implemented.

Details

In spring 2016, the Ministry approved a plan for completing implementation of the remaining medium-term actions from *Modernizing Child Care in Ontario*, a 2012 discussion paper that detailed the government's long-term vision for child care.

The plan included putting mandatory provincial program guidelines in place, and improving data collection, evaluation and reporting. On August 31, 2015, mandatory provincial program guidelines were introduced and are outlined in the regulations to the new *Child Care and Early Years Act*.

The Ministry also improved the collection, evaluation and reporting of data for licensed child care in Ontario. However, it said that it would take longer to implement other actions in the plan such as assigning children in licensed child care an Ontario Education Number, and reviewing and updating the special needs resourcing program. The Ministry told us that work on these actions is under way, but more consultations and decisions were needed before it could determine when they would be fully implemented.

- *develop more useful guidance to assist program advisors to more consistently evaluate child care programs being delivered to ensure that those programs meet expectations for effective child development;*
Status: Fully implemented.

Details

In our *2014 Annual Report*, we reported that the 2012 discussion paper, *Modernizing Child Care in Ontario*, noted that over the next three years, a mandatory provincial program guideline would be developed for child care operators to enhance program quality and consistency.

In April 2014, the Ministry released *How Does Learning Happen?*, a resource document that dis-

cusses learning through relationships for those who work with young children and their families. The document was intended to support teaching and curriculum development in early-years programs. However, at the time of our audit, implementation of this guideline was optional, and the Ministry had not determined when, or even if, implementation would become mandatory.

Since our audit, the Ministry has implemented new legislative requirements for child care programs that it outlined in the regulation to the new *Child Care and Early Years Act*. Starting on August 31, 2015, the Ministry made it mandatory for licensed child care operators to implement the *How Does Learning Happen?* program guideline for child care programs. Specifically, in addition to developing a program statement that is consistent with the Ministry-developed resource guide, licensed child care operators are also now required to develop goals and implement strategies (defined by the Ministry as observable measurable actions) to achieve program goals for 10 specific criteria, including:

- promoting the health, safety, nutrition and well-being of children;
- fostering children's exploration, play and inquiry; and
- planning for and creating positive learning environments and experiences that support every child's learning and development.

In addition, operators are now required to document the actions they have taken to achieve the program goals, and to review the impact these actions are having on children and their families. Program advisors are now required to verify during on-site inspections that operators do in fact have documented strategies in place to review the impact that their actions are having on children and their families.

- *collect and analyze all relevant information about child care operators to assist with program management and oversight; and*
Status: Fully implemented.

Details

Since our audit in 2014, the Ministry has started collecting and recording better information to assist in the day-to-day management of the child care program, and to improve its oversight of the program. Specifically, since December 2014, the Ministry has been able to generate numerous standard management reports from the Child Care Licensing System on serious occurrences, complaints, expired licences, new licence applications, and staff caseloads, at both a summary level and a detailed level.

The Ministry's corporate office regularly prepares regional-level summary reports from the information stored in the licensing system, and shares it with regional managers at periodic meetings. If any concerns are identified, regional managers are instructed to further investigate and take appropriate action if warranted.

Some examples of these summary reports include:

- the average number of days it takes to process new applications for licences;
- the average number of days it takes to resolve serious occurrences and complaints;
- the percentage of licences expired without a renewal inspection conducted, and the average number of days the licences have been expired; and
- the number of days taken to complete licensing renewal inspections.

The Ministry told us regional managers are also expected to regularly review child care program information to assist them in overseeing and managing child care operators in their region.

In addition, since our audit the Ministry has been able to capture and report program-specific information, including the total capacity at each child care facility, the status of any inspections performed by program advisors, and the type of licence issued to each child care operator (regular, provisional, or short-term).

- *develop performance measures for assessing progress toward the government's long-term vision for child care and periodically report on these measures publicly.*
  Status: Little or no progress.

Details

The Ministry's long-term vision for child care is to build a high-quality, accessible and co-ordinated early learning and child care system that focuses on encouraging learning in a safe, play-based environment that provides for the healthy physical, social, and emotional and cognitive development of children.

In February 2015, the Ministry developed a Child Care Output and Outcome Monitoring Strategy (Strategy) that identified child care performance measures for the licensed child care program. These include the percentage of staff working in the licensed child care sector who are registered early-childhood educators, the percentage change in the number of licensed child care spaces, and the percentage change in the time the Ministry takes to follow up on complaints and serious occurrences from the time they are initially reported.

However, we found that the measures do not address all aspects of the Ministry's vision. For example, the Ministry does not track how many children were placed on a waitlist (i.e., do not have access to child care). As well, although the Ministry established an indicator that measures the number of child care staff who received pedagogical training on the Ministry-developed resource guide entitled, *How Does Learning Happen?*, there are no measures to assess how effective this training was on the healthy physical, social, and emotional and cognitive development of children.

The Strategy indicated that the performance measures are to be reported annually on the Ministry's website, and although the Ministry had collected data on many of the measures, it reported publicly on only one: the percentage of children receiving subsidies by age group. At the time of our follow-up, the Ministry told us that the information was being reviewed by its legal and privacy teams to determine what information could be released publicly.

Licensing New Child Care Operators

Recommendation 2

To help ensure that new child care operators not only comply with legislation and ministry policy but also provide a safe and healthy environment that encourages the social, emotional and intellectual development of children, the Ministry of Education should:

- *develop guidelines to assist program advisors in assessing whether new applicants are sufficiently competent to establish child care operations;*
  Status: Little or no progress.

Details

At the time of our follow-up, the Ministry had not developed guidelines to help program advisors assess whether new applicants were sufficiently competent to establish child care operations. The Ministry told us that it planned to consult with other jurisdictions to collect information on how, or even if, they assess the competence of new applicants. The information would be used to determine how new operator competency should be assessed and when the assessments should take place.

- *thoroughly review new operators' policies to ensure that they comply with all Ministry and legislative requirements;*
  Status: Fully implemented.

Details

In our 2014 audit, we noted that operator policies were usually not kept on file at the Ministry, and were not available for management review. We also found that these policies were not always in compliance with Ministry and legislative requirements before the licence was issued.

At the time of our follow-up, all required policies (such as those for serious occurrences and criminal reference checks and supporting documents related to inspections) were now retained in the Child Care Licensing System. The Ministry told us that the licensing system has made it easier for regional

managers at any time to review new operators' policies, on-site inspections summaries and other relevant supporting documents so that they can make an informed decision on whether to issue a new licence.

The Ministry informed us that if documents are missing or the applicant's policies do not meet the licensing requirements, the regional manager sends the application back to the program advisor, who follows up with the applicant to make the necessary corrections or obtain the appropriate supporting documents before the licence is issued.

In cases where one or more policies are not in compliance with licensing requirements, the applicant is required to submit a new policy or policies with the non-compliance issues corrected. All versions of the policies are retained in the system, including the final one.

- *provide new applicants with more detailed guidelines, templates and examples of best practices to assist them in developing the policies that they are required to have in place before receiving a licence and commencing operations;*
  Status: In the process of being implemented by the end of December 2017.

Details

In our 2014 audit, we reported that program advisors indicated that delays in issuing licences to new applicants were often due to the applicant's lack of knowledge about the legislation governing child care, and to insufficient available information for applicants on how to develop appropriate policies. We also noted in many subsequent licensing renewal inspections of existing operators, advisors consistently identified that operator policies, such as those for behaviour management, serious occurrences, medication administration and criminal reference checks, did not meet the requirements.

The Ministry released an updated licensing manual for child care centres in October 2015, and another for home child care providers in June 2016, to reflect the licensing requirements under the new legislation. The manuals identified items

for operators to consider when developing their policies and provided links to resources to help operators comply with the new legislative requirements. However, at the time of our follow-up, the Ministry had not developed sample policies and procedures it considered best practice, or templates that new applicants or existing child care operators could look to for guidance when developing their own policies and procedures. The Ministry told us it plans to develop sample policies to assist the licensees in meeting legislative requirements, which it expects to issue by the end of December 2017.

- *track the time it takes new applicants to become licensed, document the reasons for any delays and take appropriate action where necessary;*
  Status: Fully implemented.

Details

In our 2014 audit, we noted that it can take a new applicant anywhere from one to 18 months to obtain a licence to operate a child care facility in Ontario.

The Ministry began in December 2014 to electronically track the time it takes to issue new licences. It found that between October 2015 and December 2015, it took an average of 12 months to process a new licence application, with times ranging from 14 days to 21 months. This suggests that application-processing times have not improved since our 2014 audit.

The Child Care Licensing System can record important information such as the reasons for any delays in processing new applicants, but program advisors are not required to document the reasons. Instead, the Ministry's corporate office reviews quarterly reports of processing times for new applicants for each of its regional offices, and it told us these reports are shared with regional managers at periodic meetings. If any significant concerns are identified with the length of processing times, direction would be provided to regional mangers to investigate and determine if any further actions were needed.

The Ministry also noted that many factors can affect application processing times, including the size and type of the proposed program, whether the physical premises require construction or renovations, and the applicant's experience in operating a child care centre.

- *provide regional managers with sufficient evidence and documentation to support issuing licences to new child care operators; and*
  Status: Fully implemented.

Details

In our 2014 audit, we noted that operator policies were usually not kept on file at the Ministry and were unavailable for management review. We also found that these policies were not always in compliance before the licence was issued.

All the required polices and supporting documents, including those related to inspections, are now retained in the Child Care Licensing System, and managers can access them at any time. The system retains all versions of the policies submitted by the new operator, including the final version. In the past, if such documents were received electronically, they would reside on the program advisor's personal computer or a shared drive.

In addition, the licensing system provides fields where program advisors can document any notes or issues related to a file. Regional managers can view this information in the system when deciding whether to issue a licence to a new operator.

- *gauge the risk of non-compliance posed by each new operator, assess the length of time for which a new licence is issued based on this risk and monitor new operators accordingly.*
  Status: Fully implemented.

Details

In an effort to identify and correct non-compliance issues on a timelier basis, the Ministry began in August 2015 to require licensing staff to conduct mandatory unannounced inspections of new operators soon after they begin operating, where

geographically possible and while children are in their care. Based on a list of inspections conducted on new operators since August 2015, we noted that 53% of new operators had been inspected within three months of being licensed.

The Ministry also told us that its Enforcement Unit, established since our audit, reviews applicants' history of violations and identifies any past enforcement actions taken against them (e.g., a new applicant may have been charged as an unlicensed provider) to help regional managers decide whether to issue a new licence to new or existing operators. Together, these actions determine what type of licence to issue and for how long.

A draft directive on processing new licensing applications includes procedures to look at an applicant's history of violations for any information that might affect the decision to issue them a licence. The directive also contains procedures to assess an applicant's qualifications by verifying with applicable professional associations that the applicant is not prohibited from providing child care based on any past conduct. The Ministry expects to implement the directive following consultations with stakeholders.

Child Care Licence Renewals and Inspections

Recommendation 3

To ensure that child care operators are inspected in a timely manner to verify that they maintain compliance with legislative requirements and deliver services to children in a healthy, safe environment, the Ministry of Education should:

- *take more effective action against operators that do not submit their licence renewal forms on time and link inspection scheduling to licence expiry date rather than receipt of the licence renewal form;*
  Status: In the process of being implemented by the end of September 2017.

Details

Since the introduction of the Child Care Licensing System, notifications for the need to renew a licence are sent three months before expiry of the licence to both the operators and the respective program advisors. At the time of our follow-up, the Ministry had developed a draft directive on expired licences that provides guidance to licensing staff on suspending a licence in cases where an operator does not submit its application renewal form and fee on time. The Ministry expects to implement the directive in September 2017.

Unannounced licence renewal inspections for existing operators continue to be performed only after the operator has submitted a licence renewal form. The Ministry told us that it prefers to conduct inspections only if it knows the operator is committed to continue to deliver child care services. However, in addition to the licence renewal inspections conducted on child care centres, under the tiered (risk-based) licensing approach the Ministry began implementing at the end of August 2016 (described in the following recommended action), child care centres that have been operating at least three years and are categorized as Tier 1 or Tier 3 are expected to undergo an unannounced inspection within their licensing period as well as when they submit their renewal form.

- *identify high-risk operators and develop a risk-based approach for determining how often these and other child care operators should be inspected;*
  Status: Fully implemented for child care centres. Will not be implemented for home child care agencies. The Office of the Auditor General continues to support implementation of this recommendation for home child care agencies.

Details

On March 18, 2015, the Ministry approved implementation of a tiered (risk-based) approach for licensing child care centres. Under tiered licensing, the Ministry places each child care centre into one

of three tiers based on the operator's history of compliance with the Ministry's policies and legislative requirements over the last three years.

The Child Care Licensing System automatically generates a tier category for each child care centre based on the number and risk level of each centre's non-compliances, and on whether the centre has received a provisional licence or has had any enforcement action taken against it.

The tier category determines the term of the licence to be issued, how often the child care centre is to be inspected, and the level of monitoring to be conducted. For example, centres categorized as Tier 1 are issued a licence for a maximum of two years, and receive an abbreviated inspection that focuses on high-risk requirements at the time of licence renewal, and another, interim monitoring inspection some time during the licensing period.

Tier 2 centres are issued a licence for a maximum term of one year and, like Tier 1 centres, receive an abbreviated inspection at the time of licence renewal. However, these centres would only have an interim monitoring inspection if there was a serious occurrence or complaint that warranted a site visit during the licensing period.

Centres categorized as Tier 3 would also be issued a licence for a maximum term of one year and would undergo a full inspection ever year. They would also have at least one additional monitoring inspection during the licensing period to help them achieve and maintain compliance with licensing requirements.

Each centre's tier category would be re-calculated at the time their licence is to be renewed.

As of July 2016, a total of 4,239 child care centres were categorized into tiers as follows:

- 12% were in Tier 1;
- 78% in Tier 2; and
- 10% in Tier 3.

The Ministry had inspected 72 child care centres as of April 2016, and told us that the results of these inspections would be used to evaluate the abbreviated inspections performed on Tier 1 and 2

operators, and make any necessary modifications. The Ministry began inspecting all child care centres using the tiered licensing approach at the end of August 2016.

The Ministry is not implementing the tiered system for licensed home child care agencies. It inspects these agencies annually and relies on the agencies to inspect the home child care premises they oversee at least once every quarter, as required by legislation. We continue to believe that a risk-based approach to inspections should be implemented for home child care agencies, which care for about 29,300 children.

The Ministry is also not implementing the tiered system for child care centres that have been licensed for less than three years, in order to give them time to develop a history of performance. These types of operators continue to be licensed under the Ministry's existing system.

- *formulate a plan using this risk-based approach to address the backlog of inspections so that operators can be inspected before their licences expire; and*
  Status: Fully implemented.

Details

The Ministry has reduced the backlog of inspections from 32.2% at the time of our audit in 2014 to 13% as of March 31, 2016, through the following actions:

- In fall 2014, a dedicated Enforcement Unit was established that assumed full responsibility for all follow-ups in the unlicensed child care sector and for administering enforcement actions under the new Act. Previously, these responsibilities were carried out by program advisors. Licensing staff now work exclusively on licensed child care cases.
- Since July 2014, a combination of temporary and permanent have been hired to assist with the backlog of inspections and to continue to support child care licensing activities. In 2015, the Ministry also hired five senior program

advisors to oversee program advisors at the regional offices. Senior program advisors have been assisting with the backlog by pre-screening and approving licences for regional managers (so that applications can be pro-cessed faster) and by conducting inspections.

- A new senior manager position was created and filled on March 29, 2016. The senior man-ager's responsibilities include implementing strategies to manage program advisors' caseloads.
- Better information available from the Child Care Licensing System also helped the Min-istry identify reasons for the backlog. For example, program advisors in one region were consistently setting licences to expire at the end of the month, but now are distributing expiry dates throughout the month so as to not face a difficult-to-manage workload at the end of the month.

In an effort to prevent backlogs from accumu-lating, the Ministry directed licensing staff in August 2015 to devote at least three days a week to renewal inspections, and provided guidance on timelines for completing licensing inspections. Pro-gram advisors were instructed to finalize renewal inspections within five business days of the compli-ance date set out in an inspection, and send the licence renewal recommendation to their manager.

- *schedule visits in a way that minimizes timing predictability.*
  Status: Fully implemented for child care centres. Will not be implemented for home child care agencies.

Details

Licence renewal inspections for existing operators continue to be performed only after the operator has submitted a licence renewal form because, the Ministry said, it prefers to conduct inspections only if it knows the operator will continue to deliver the service.

However, in addition to the licence renewal inspections of child care centres, the tiered licensing (risk-based) approach that the Ministry launched at the end of August 2016 also requires program advisors to perform unannounced inspec-tions on Tier 1 and Tier 3 centres during their licensing period.

Tier 1 centres receive one unannounced inspec-tion within at least two years, and Tier 3 centres receive one unannounced inspection within at least one year. Program advisors are expected to sched-ule these inspections in a way that reduces their predictability.

As noted earlier, tiered licensing will not be implemented for child care centres that have been operating for less than three years and for licensed home child care agencies.

Recommendation 4

To ensure that effective inspection procedures are in place to verify that child care operators maintain compliance with legislative requirements and deliver services to children in a healthy, safe environment, the Ministry of Education should:

- *enhance the procedural guidelines for inspec-tions conducted by program advisors to include detailed minimum procedures to be performed;*
  Status: Fully implemented.

Details

In 2014 we found that the procedural guidelines for assessing compliance with licensing requirements were vague, so program advisors exercised a great deal of discretion when filling out the inspection checklist. For example, advisors were required to ensure that child care staff had the required health assessments and immunizations before commencing employment. However, one program advisor we spoke to at the time said that details of the require-ments were not in the procedural guidelines or otherwise communicated to program advisors. The advisor also did not know which health assessments

and immunizations were required, or how often the vaccinations needed to be updated.

In 2015 the Ministry updated the child care centre inspection checklist used by program advisors to reflect the licensing requirements under the new legislation, and to incorporate compliance indicators that were previously not included. We noted that compliance indicators are still too general, and do not provide enough guidance to program advisors on how to consistently assess compliance with the new licensing requirements.

However, the Ministry had taken other steps to help program advisors better understand the procedures to be performed during an inspection. For example, program advisors can submit questions to corporate office which are then responded to and distributed to all licensing staff. Other initiatives, such as formal training on conducting inspections and an "inter-rater reliability" process (that is, having two Ministry staff conduct separate licensing inspections of the same child care operator to see if they reach the same conclusion), are discussed in the following recommended actions.

- *provide regular program advisor training and training updates on inspection guidelines;*
  Status: In the process of being implemented by February 2017.

Details

Since our audit in 2014, the Ministry's corporate office has provided formal training to program advisors on Ministry policies and legislative licensing requirements for child care programs.

In August 2015 and November 2015, the Ministry provided program advisors with training on assessing compliance with the licensing requirements of the *Child Care and Early Years Act* and its regulations. In January 2016, more training sessions were delivered that focused on assessing compliance with program statement requirements, enforcement, and the requirements for risk-based inspections.

The Ministry informed us a training strategy for new and existing program advisors and regional managers would be developed by February 2017.

- *have program advisors document the procedures performed and the conclusions they reach during inspections and retain all relevant documentation for subsequent management review; and*
  Status: Fully implemented.

Details

We noted in our 2014 audit that program advisors had a lot of discretion in their inspections of child care operators. We therefore recommended that they document how they determined that an operator had corrected its non-compliance issues and was now meeting licensing requirements.

Since our audit in 2014, the Ministry has upgraded the electronic inspection checklist used to document inspection results to allow program advisors to upload photographs and any other supporting documents from the operators' premises that demonstrate that the licensee has met compliance requirements, including a licensee's written confirmation that it had rectified any non-compliance issues identified.

After the on-site part of the inspection is completed, program advisors can also upload any additional supporting documents provided by the operator to show that they have complied with the licensing requirements.

All the supporting documents are to be retained in the system for management review.

- *periodically rotate program advisor caseloads to help compensate for inconsistencies in inspection practices.*
  Status: Fully implemented.

Details

In 2014 we reported that the Ministry did not have a policy requiring the periodic rotation of program advisors to ensure that different perspectives are

brought to the inspection process, and to help compensate for inconsistencies in inspection practices.

The Ministry told us that rotating program advisor caseloads can pose challenges. For example, it would be difficult to rotate advisors in some regions because of the distances involved, and the only solution could be to ask program advisors to relocate.

Instead of focusing on rotating caseloads, the Ministry implemented an "inter-rater reliability" process in fall 2015 that involves two Ministry staff conducting separate licensing inspections of the same child care operator independently of one another. Any discrepancies found in the compliance assessment ratings between the two inspectors are identified for review. A Ministry team from corporate office reviews the discrepancies with the two inspectors and determines the appropriate compliance assessment rating. The Ministry informed us that these results are shared with regional managers at branch meetings, who are then expected to review with their program advisors the scenarios which gave rise to the discrepancies in compliance assessment ratings.

At the time of our follow-up, the Ministry had completed three rounds of this "inter-rater reliability" exercise, and had shared the results of the first two rounds with licensing staff. The Ministry also told us it planned to undertake this exercise at least once a year.

Recommendation 5

To ensure that adequate policies and procedures are in place to enforce operators' compliance with legislative requirements and to help ensure that operators deliver services to children in a healthy, safe environment, the Ministry of Education should:

- *obtain appropriate supporting documentation to verify that any observed noncompliance is rectified and for management oversight purposes;*
  Status: Little or no progress.

Details

In our 2014 audit, for a sample of inspection files we reviewed, we found that in most cases the Ministry had accepted only a written confirmation from the licensee as evidence that they had rectified the non-compliance issues identified during the inspection.

At the time of our follow-up, the Ministry still had not developed guidelines to assist program advisors in determining how they should follow up on non-compliance issues to ensure that operators actually resolved concerns.

The Ministry issued a directive that requires program advisors to upload supporting documents (for example, emails, photos, and other documentation) in its licensing system, as confirmation that the licensee has rectified the non-compliances. However, it still did not provide direction on what type of supporting documentation would be warranted in certain situations or circumstances. For example, in certain cases a written confirmation from the licensee would be sufficient whereas in other cases other documents would be warranted.

Although the Ministry told us that its Internal Audit department plans to periodically review a sample of inspection files to verify that documentation requirements are being met across the province, the audit plans did not provide details on the nature and scope of any audit work to be performed in this area.

- *more closely monitor, as required, operators that have been issued a provisional licence;*
  Status: Fully implemented.

Details

Under the tiered (risk-based) licensing approach the Ministry implemented at the end of August 2016, child care centres that have been operating for at least three years and that have been issued a provisional licence—the Tier 3 operators—will be monitored more closely. Specifically, program advisors are required to conduct unannounced inspections of these operators soon

after renewing their licence, with a focus on critical and high-risk requirements. In addition, licensing staff determine whether additional inspections are required for these operators during the maximum one-year licensing period.

The Ministry also advised us that since our audit, program advisors have been using a number of approaches to more closely monitor licensees that have been issued a provisional licence. These approaches include requiring licensees to document actions that describes how and when they plan to come into compliance with the requirements, and requiring that they regularly submit documents such as logs or photographs to demonstrate that they have complied and continue to comply with the requirements.

- *develop or enhance guidelines related to issuing a short-term licence; extending a provisional licence beyond three months; meetings between regional managers and child care operators; and suspending, revoking or refusing to renew a licence;*
Status: In the process of being implemented by the end of December 2016.

Details

In 2014, Ministry policy stated that provisional licences could be issued for up to three months, and could be extended only under exceptional circumstances. Our review of a sample of provisional licences at that time found that some operators were receiving licences that alternated between provisional and short-term. We were concerned that short-term rather than provisional licences were sometimes being given to avoid issuing consecutive provisional licences. Ministry policy at the time also stated that issuance of two consecutive three-month provisional licences for the same offence was sufficient time for the operator to comply before enforcement action was taken.

Under the new legislation, the Ministry clarified that a provisional licence can be issued for a maximum term of up to one year. If the licensee fails to remedy the non-compliance issues, the

provisional licence may be renewed only once, provided the Ministry is satisfied that the licensee's failure to come into compliance was due to circumstances beyond their control. In addition, effective August 29, 2016, the Ministry discontinued the practice of issuing short-term licences.

At the time of our follow-up, the Ministry had also developed draft guidelines related to refusing to issue, renew or revoke a licence. The Ministry also told us it was working on developing guidelines for meetings between regional managers and child care operators on recurring non-compliance issues. The Ministry expects to release final guidelines for both by the end of December 2016.

- *disclose on its child care website all noncompliance issues noted during inspections in sufficient detail to give parents a sense of the risk posed to their children; and*
Status: Fully implemented.

Details

In 2014, we reported that for 20% of the inspections we reviewed, not all non-compliance issues identified were reported on the Ministry's child care website, as required by policy. As well, we noted that the website provided only general statements regarding non-compliance issues, not the actual observed details. For example, in one instance the website notes that a centre did not meet the requirements of the local medical officer of health. However, no details were provided to give parents a sense of what that concern was or the risk posed to their children.

The Ministry still does not disclose actual observed details of non-compliance on its website. However, it has since the end of August 2016 posted the risk level of each non-compliance issue identified during an inspection, providing parents with a sense of the risk posed to their children.

Non-compliance issues are categorized as critical, high, moderate, or low, and are defined on the Ministry's website. An issue assessed as critical means there is a direct threat that could, or has,

resulted in serious harm to the health, safety, and well being of a child. An issue categorized as low means there is no likely threat to a child's health, safety and well-being.

Based on findings from 10 parent focus groups conducted by the Ministry, parents gave positive feedback about the inspection information provided on the Ministry's website. The website directs parents to the licensee for more information, or for a copy of the detailed licensing inspection report, if they have a concern about a non-compliance issue.

- *administer effective enforcement action against operators that have not complied with legislative and ministry requirements.*
  Status: In the process of being implemented by January 1, 2017.

Details

Since our audit in 2014, the Ministry has established an Enforcement Unit to enforce the new legislation (*Child Care and Early Years Act* and its regulations) and administer any enforcement measures against operators that do not comply with licensing requirements.

This legislation, which took effect on August 31, 2015, has also strengthened the Ministry's ability to administer enforcement measures against licensees that do not comply with licensing requirements. It includes more provisions that, if contravened, could result in a charge being laid against the operator. Examples of chargeable contraventions are operating multiple child care sites without a licence, preventing parental access to the child care premises, and employing an individual whose membership in the College of Early Childhood Educators was revoked. The legislation also includes additional enforcement measures. For example, it permits the Ministry to require operators to take a specified action, or refrain from an action, to achieve compliance with a licensing requirement.

Administrative penalties can also be applied to operators that fail to comply with any of 16 provisions under the Act. The regulation specifies the amount of the penalty that can be applied. For example, a $2,000 penalty can be imposed on operators that do not provide a criminal reference check to the Ministry.

Beginning January 1, 2017, another 10 provisions under the new legislation will take effect that, if contravened, could result in operators being fined. For example, the Ministry could impose a penalty of $2,000 for each child in excess of the staff-to-child ratios prescribed in the Act.

Recommendation 6
To ensure that adequate policies and procedures are in place to verify that private-home day care agencies comply with legislative requirements and deliver services to children in a healthy, safe environment, the Ministry of Education should:

- *develop more detailed inspection guidelines for program advisors;*
  Status: Fully implemented.

Details

In 2014 we accompanied program advisors during inspections of home day care providers, and found that they performed different procedures at different locations. We reported that standardized Ministry procedures would help ensure that all significant requirements were consistently reviewed.

In 2015 the Ministry updated the inspection checklist for home child care agencies and providers to reflect licensing requirements under the new legislation. In 2016 the checklist was further updated to incorporate compliance indicators that had previously not been included. We noted that compliance indicators are still too general, and do not provide enough guidance to program advisors on how to consistently assess compliance with the new licensing requirements.

However, the Ministry had taken other steps to help program advisors better understand the procedures to be performed during an inspection. For example, it had provided formal training on conducting inspections, and program advisors can

submit questions to corporate office, which are responded to and then distributed to all licensing staff.

- *ensure that the minimum number of homes are visited during agency inspections;*
Status: Fully implemented.

Details

In our 2014 audit, we noted instances where program advisors had visited less than the 5% minimum of home daycare providers. Since our audit, the Ministry issued a directive with guidance to program advisors on the minimum number of homes to be visited for a home child care agency licensing renewal inspection (at least 10% of homes for agencies that oversee up to 200 home daycares, and at least 7% of homes for agencies that oversee 201 or more homes). For 90% of home child care agencies that underwent a renewal inspection since December 2015, program advisors inspected the minimum required number of home daycares. Also, the Ministry upgraded its licensing inspection software to prevent a program advisor from closing an inspection before ensuring that they had visited the required number of homes.

- *verify that the agencies' licensing inspection checklists are complete; and*
Status: Fully implemented.

Details

We found in half of the files we reviewed in our 2014 audit that some questions in the agency inspection checklists were not answered.

Since our audit, the Ministry has updated its licensing inspection software to prevent program advisors from finalizing their inspection until all checklist questions are addressed.

The Ministry also issued a directive to program advisors and regional managers to ensure that the agency and home child care location licensing inspection checklists are complete, and that all applicable checklist questions are assessed and documented.

- *consider developing inspection checklists for agency staff.*
Status: Fully implemented.

Details

Since our audit in 2014, the Ministry had developed an inspection checklist to be used by agency staff while performing inspections of home child care premises. This checklist was distributed to agencies for use at the end of August 2016.

Recommendation 7

To help ensure the delivery of a high-quality, accessible and co-ordinated child care system in Ontario that encourages child cognitive, language and social development, the Ministry of Education should:

- *re-evaluate the education requirement for program advisors on a go-forward basis to consider their education level and experience with child care operations;*
Status: Little or no progress.

Details

During our 2014 audit, we noted that only half of the program advisors at the three regions we visited had a diploma in Early Childhood Education.

The Ministry told us it re-evaluated the education requirement for program advisors and was confident about its practices for assessing the education and experience of program advisors. As a result, it did not change these requirements since our audit. The Ministry did not document its evaluation, so there was nothing available for us to review. We continue to believe that it would be beneficial for program advisors to have a diploma in Early Childhood Education.

- *ensure that program advisors are provided with the necessary training and operational supports to effectively perform their job responsibilities; and*
Status: In the process of being implemented by February 2017.

Details

With regards to training, as noted in Recommendation 4, the Ministry had delivered several formal training sessions to program advisors on program policies and legislative requirements, including assessing compliance with program statement requirements, enforcement, and requirements for risk-based inspections of operators. The Ministry expected to develop a training strategy for new and existing program advisors and regional managers by February 2017.

With respect to operational supports, as discussed in Recommendations 4 and 6, the Ministry introduced tools, such as:

- updated inspection checklists used by program advisors to conduct inspections on child care centres, and home child care agencies and their providers;
- a Q&A process whereby program advisors can submit questions to corporate office that are responded to and shared with all licensing staff; and
- the "inter-rater reliability" exercise.

In addition, the Ministry developed a tracking tool to help operators and program advisors verify and maintain compliance with the new legislative requirements for police record checks.

- *assess program advisor caseloads to ensure that sufficient time is available to conduct thorough inspections*
  Status: Fully implemented.

Details

Although the average program advisor caseload increased from 87 as of March 2014 to 101 as of June 2016, the Ministry has taken a number of steps since our audit in 2014 to ensure that program advisors have enough time to conduct inspections, including:

- establishment in fall 2014 of a dedicated Enforcement Unit that assumed full responsibility for follow-up in the unlicensed child care sector and for administering all enforcement actions under the new Act (previously the responsibilities of program advisors); and
- hiring of temporary and permanent staff since July 2014 to assist with program-advisor caseloads, and hiring of a new senior manager in March 2016 whose duties include implementing strategies to manage program advisor caseloads.

In addition, the Ministry told us that regional managers are now using several different approaches to effectively manage program advisor caseloads and further increase the time available for inspections, including:

- having staff prepare monthly work plans;
- instructing program advisors to set varying expiry dates on licences to reduce the number of renewals occurring at the same time; and
- encouraging program advisors to plan the length of their visit based on the risk posed by a licensee, so that a new licensee may get more time than an existing one with a good compliance history.

Regional managers are also able to generate reports from the Child Care Licensing System to help them manage caseloads. For example, a report that shows the status of each licence can be used by managers to see where delays are occurring in the process so they can consider strategies to keep renewal applications moving forward.

Criminal Reference Checks

Recommendation 8

To help ensure that child care operators provide a safe and healthy environment that encourages the social, emotional and intellectual development of children, the Ministry of Education should:

- *review its policy regarding criminal reference checks to assess whether it needs to be updated, who it explicitly applies to and the appropriateness of exemptions;*
  Status: Fully implemented.

Details

Since our audit in 2014, the Ministry has reviewed its policy regarding criminal reference checks, and strengthened the requirements.

The new legislation that took effect August 31, 2015, specifies which individuals must submit to a vulnerable sector check (previously, only a criminal reference check was required). Specifically, a person licensed to operate a child care centre is required to obtain a vulnerable sector check from every employee, volunteer and student regardless of whether they interact with children. The requirement applies to such individuals as cooks, drivers, and maintenance staff employed by the licensee. Home child care agencies must also obtain vulnerable sector checks from their employees, the home child care providers they oversee, every person who is ordinarily a resident of the private home and every person who is regularly on the premises.

In addition, the Ministry now requires that vulnerable sector checks be updated every five years. Also, every year between the vulnerable sector checks, individuals must submit an offence declaration that lists all criminal convictions.

In our 2014 report, we noted that applicants could be exempt from submitting a criminal reference check if they met all of the following criteria: the child care centre was incorporated and its board of directors did not have contact with children; the applicant already held a licence issued by the Ministry or operated another program in the community; and the applicant had an established record of providing service in the community. The Ministry has since eliminated these exemptions.

- *confirm that criminal reference checks have been obtained and are on file for all new operators and verify that board directors and other staff without checks do not have direct contact with children;*
  Status: In the process of being implemented by the end of December 2016.

Details

The Ministry told us that a new applicant would not be issued a licence until the required police record checks have been submitted to the Ministry and the program advisor has reviewed and approved the documents. Also, the checks are retained in the Child Care Licensing System and can, if needed, be accessed by regional managers for their review.

Under the new legislation implemented on August 31, 2015, the Ministry requires child care staff regardless of whether they have direct contact with children to submit a vulnerable sector check. In the case where a new applicant is a corporation, Ministry policy now requires all members of the board of directors of the corporation to submit either a vulnerable sector check if they have direct contact with children or a criminal reference check if they do not. At the time of our audit in 2014, only members of the board of directors who had direct contact with children were required to submit only a criminal reference check. At the time of our follow-up, the Ministry had also developed a draft directive on actions program advisors should take in cases where applicants have not submitted or completed the appropriate police record checks, which includes both a criminal reference check and a vulnerable sector check. The Ministry expects to implement this directive by December 2016.

- *require that all criminal reference checks for operators and child care staff be periodically updated; and*
  Status: Fully implemented for child care staff. Little or no progress for child care operators.

Details

As of August 31, 2015, the Ministry requires child care operators to obtain a vulnerable sector check from child care staff every five years, and an offence declaration in every calendar year except in a year where they have submitted a vulnerable sector check.

Child care operators are required to submit a criminal reference check or a vulnerable sector

check if they interact with children, when they apply for a new licence. The Ministry informed us that it would be requiring licensees to periodically update the criminal reference checks or the vulnerable sector checks; however, more work needed to be done on how that would be implemented.

- *require vulnerable sector checks in addition to regular criminal reference checks.*
  Status: Fully implemented.

Details

As of August 31, 2015, the Ministry requires child care operators to obtain a vulnerable sector check from child care staff. Also, child care operators that interact with children are now required to submit a vulnerable sector check to the Ministry.

Serious Occurrences

Recommendation 9

To help reduce the risk to the health and safety of children at child care facilities and to appropriately address, report and analyze serious incidents, the Ministry of Education should:

- *develop guidelines for investigating and following up on serious occurrences;*
  Status: Fully implemented.

Details

In March 2015 the Ministry upgraded the Child Care Licensing System to include fields that program advisors must fill in to document the actions they took to follow up on serious occurrences.

Program advisors are now required to document the method used to follow up on the serious occurrence (e.g., site-visit, email, or phone call), the date they conducted the follow-up, the name and position of the person they spoke with, and any additional details relevant to the follow-up.

In addition, in October 2016 the Ministry issued a directive on serious occurrences that contains guidelines for investigating and following up on such occurrences.

- *develop procedures for verifying that child care staff are aware of serious occurrence policies, including how to identify, respond to, document and report serious occurrences;*
  Status: Fully implemented.

Details

In 2014 we identified a number of incidents that did not meet the legislative and Ministry definition of a serious occurrence, but were reported as such to the Ministry (e.g., a child who suffered minor injuries). We identified other incidents that did qualify as serious occurrences but that were not reported to the Ministry.

The newly issued directive on serious occurrences includes guidance on what constitutes a reportable serious occurrence and what does not.

Beginning August 29, 2016, the new legislation requires child care operators to annually review their serious-occurrence policies with all staff and any other appropriate individuals (such as volunteers, home child care providers, and residents of a home daycare). These individuals are also required to sign a document indicating the date they reviewed the policy and with whom. In August 2016, the Ministry revised its inspection checklists to require program advisors to review these records.

- *take more effective action against operators that do not comply with legislated reporting requirements, including those that do not properly report serious occurrences;*
  Status: In the process of being implemented by January 1, 2017.

Details

Beginning on January 1, 2017, the new legislation allows the Ministry to impose a new administrative penalty of $2,000 on licensees that do not report serious occurrences to the Ministry within the required 24 hours.

- *consider developing protocols with other investigative authorities to share information;*
  Status: Fully implemented.

Details

On February 17, 2015, the Ministry signed an information-sharing protocol with the Ministry of Children and Youth Services, which oversees the province's Children's Aid Societies. It also signed a protocol in January 2015 with the Public Health Division of the Ministry of Health and Long-Term Care, and in August 2016 with the Office of the Chief Coroner and the Frontenac, Lennox and Addington Children's Aid Society. In addition, the Ministry had also drafted information sharing protocols with the Ontario Provincial Police and the Peel Region Children's Aid Society.

- *analyze serious occurrences by operator to identify any potential operator or systemic concerns; and*
  Status: Fully implemented.

Details

As of December 2014, the Ministry was able to generate reports that provide detailed information, as well as high-level summaries, on all serious occurrences in the province. Program advisors can generate reports that detail all serious occurrences by type for each child care operator in their caseload.

In addition, the Ministry's corporate office prepares summary reports of serious occurrences that are shared periodically with regional managers to identify any systemic concerns that need to be further investigated.

The newly issued directive on serious occurrences also includes direction to licensing staff on expectations for reviewing serious occurrences.

- *consider posting serious occurrences online where parents can readily access them.*
  Status: Will not be implemented.

Details

The Ministry decided it would not implement this recommendation. It told us that the posting of serious occurrences online would require in-depth consultations with its stakeholders and legal counsel, and may not provide good information to parents because it does not include follow-up information. It also told us that it may create a disincentive for operators to report serious occurrences. We continue to believe that serious occurrences should be posted online because a parent has the right to know this information when making their child care choice.

Complaints

Recommendation 10

To ensure that complaints are adequately investigated and to help identify concerns that may not be readily apparent during inspections, the Ministry of Education should:

- *perform timely management review of reported complaints and the results of investigations;*
  Status: Fully implemented.

Details

Since our audit, the Ministry has started tracking the time it takes to process complaints. It told us that in cases where complaint-resolution times were identified as a concern, regional managers were instructed to investigate and take appropriate action to ensure more timely review of complaints.

For the period between October 2015 and December 2015, the average time to process a complaint was 21.5 days, from the date the complaint was received until the date an investigation was completed, including the required review by the regional manager.

Although we have no exact comparative data from our last audit, we did test a sample of complaints in 2014 and noted that it took an average of 150 days from the time an investigation was completed until the time regional managers reviewed it.

- *confirm with complainants that their concerns have been investigated; and*
  Status: Fully implemented.

Details

Starting December 2014, where a complainant provides their email address, the Child Care Licensing System automatically notifies the complainant that their complaint has been received. Once the program advisor has followed up on the complaint and closed it, the complainant receives a system-generated email notifying them that the Ministry followed up on their concerns, along with a high-level summary of the outcome of the program advisor's investigation. In situations where the complainant provides a phone number, but no email address, the program advisor is expected to call the complainant to notify them of the results of the investigation, and document the telephone call in the licensing system.

- *regularly review and analyze the nature of complaints received and use this information to develop procedures such as conducting surprise site visits to child care operations to help mitigate the risks identified.*
  Status: In the process of being implemented by the end of December 2016.

Details

In December 2014, the Ministry started capturing information on the number and nature of complaints, such as those related to the abuse or neglect of children and the buildings and accommodations at child care premises for each region.

The Ministry's corporate office prepares summary reports on complaints, including the number and nature of those complaints, which are shared with regional managers to identify areas that may warrant further investigation and follow-up.

The Ministry's review of complaints data identified that two of the more serious categories of complaints related to allegations of abuse and supervision of children. In response to the trends in complaints, the Ministry informed us that licensing staff were following up with a local Children's Aid Society on allegations of abuse.

At another region where supervision of children was identified as a concern, the Ministry told us the regional manager reviewed the relevant section from the licensing manual for child care centres at a stakeholder and community meeting to raise awareness of the requirements for supervision of children.

The Ministry has also drafted a directive that guides licensing staff on how to review complaints on licensed child care facilities that it expects to issue by the end of December 2016.

The Financial Services Commission of Ontario— Pension Plan and Financial Service Regulatory Oversight

Follow-Up on VFM Section 3.03, *2014 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	2	1		1	
Recommendation 2	2	2			
Recommendation 3	6	4	2		
Recommendation 4	5	3	1	1	
Recommendation 5	4	1	1	1	1
Recommendation 6	5	2		3	
Recommendation 7	3			3	
Recommendation 8	5	4		1	
Recommendation 9	1			1	
Total	**33**	**17**	**4**	**11**	**1**
%	**100**	**52**	**12**	**33**	**3**

Background

The Financial Services Commission of Ontario (FSCO) is an agency accountable to the Ministry of Finance (Ministry) and responsible in Ontario for regulating pension plans; the insurance industry; the mortgage brokerage industry; credit unions and caisses populaires; loan and trust companies; and co-operative corporations (known as co-ops). FSCO's mandate is to protect the public interest and enhance public confidence in Ontario's regulated financial sectors through registration, licensing, monitoring and enforcement.

The Pension Division of FSCO administers and enforces the *Pension Benefits Act* (Act) and its regulations. Under the Act, every employer that establishes a pension plan in Ontario must register it with FSCO and comply with the reporting and fiduciary responsibilities set out in the Act. The Licensing and Market Conduct Division of FSCO administers and enforces the requirements of legislation pertaining to the financial service sector.

Underfunded pension plans are those that would not have enough funds to pay full pensions to their members if they were wound up immediately.

In our *2014 Annual Report*, we noted that the level of underfunding in defined-benefit pension plans in Ontario had become significantly worse during the previous decade. As of December 31, 2013, 92% of Ontario's defined-benefit plans were underfunded, compared to 74% as of December 31, 2005. The total amount of underfunding of these plans grew from $22 billion in December 2005 to $75 billion in December 2013.

However, during our follow-up, we found that the overall financial health of plans has improved from the time of our 2014 audit, with 83% of plans being underfunded as of December 31, 2015, down from the 92% in 2013. Similarly, the total under-funding of plans decreased from $75 billion in 2013 to $63 billion in 2015.

FSCO had limited powers to deal with adminis-trators of severely underfunded pension plans, or those who do not administer plans in compliance with the Act. In contrast, FSCO's federal counter-part, the Office of the Superintendent of Financial Institutions (OSFI) had legal authority to terminate a plan, appoint a plan administrator, or act as an administrator, but FSCO could only prosecute an administrator (which is usually the employer com-pany), issue compliance orders or take action after it orders the wind-up of a plan. As well, it could not impose fines on those who failed to file information returns on time.

In our 2014 report, we concluded that FSCO should make better use of the powers it already had under the Act to monitor pension plans, especially those that were underfunded. Regarding the over-sight of pensions, other significant issues included the following:

- In the four years prior to our 2014 audit, FSCO had conducted on-site examinations of only 11% of underfunded plans on its solvency watch list. At this rate, it would take 14 years to examine them all. As well, FSCO took little or no action against late filers of information.
- It was uncertain whether the Pension Benefits Guarantee Fund (PBGF), designed to protect members and beneficiaries of single-employer

defined-benefit plans in the event of employer insolvency, was itself sustainable.

With respect to the Licensing and Market Con-duct Division's (Division's) oversight of regulated financial services, we had the following significant issues:

- FSCO undertook minimal oversight of co-ops, which raise millions of dollars from investors each year for ventures such as renewable energy initiatives. FSCO did no criminal back-ground checks of key members before a co-op was registered and began raising money.
- Weakness in FSCO's online licensing system allowed life insurance agents to hold active licences without having entered proper infor-mation about whether they had up-to-date errors and omissions insurance to cover client losses arising from negligence or fraud by an agent.
- There were significant delays and weak fol-low-up enforcement actions in the Division's handling of several serious complaints.

In our 2014 audit, we recommended that FSCO conduct an analysis of the specific reasons for the increase in underfunded pension plans and the financial exposure to the province; assess the Pension Benefits Guarantee Fund's financial risk exposure to potential claims and to its continua-tion; ensure that its online licensing system has the necessary controls to identify and reject licences for insurance agents who do not meet minimum requirements; investigate complaints in a timely manner; and explore opportunities to transfer more self-governing responsibilities to financial services sectors.

We received commitments from the com-mission that it would take action to address our recommendations.

Standing Committee on Public Accounts

In March 2015, the Standing Committee on Public Accounts (Committee) held a public hearing on

our 2014 FSCO Pension Plan and Financial Service Regulatory Oversight audit. In June 2015, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made 14 additional recommendations and asked FSCO to report back by the end of September 2015. The Committee's recommendations and follow-up on their recommendations are found in Chapter 3, **Section 3.03** of Volume 2 of our *Annual Report*.

Agency Mandate Review

In early 2015, an expert panel was appointed by the Minister of Finance to review the mandates of FSCO, the Financial Services Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO). The panel was charged with determining whether:

- each agency's mandate aligned with the province's goals and priorities;
- each agency was fulfilling its mandate;
- the functions of each agency could be better performed by another entity; and
- changes to the current governance structure were necessary to improve accountability and mandate alignment.

The panel released a consultation paper in April 2015, to which FSCO responded in June 2015. The panel released its preliminary position paper in November 2015, and presented its final recommendations to the Minister of Finance on March 31, 2016. The Ministry informed us that decisions based on these recommendations are expected in fall 2016. The panel made 44 recommendations, with the overall position that many functions performed by FSCO and DICO could be better performed by a single new and integrated entity—the Financial Services Regulatory Authority or FSRA. We reviewed the panel's final report, and noted that its findings and recommendations reflected our assessment of FSCO's functions in 2014. Specifically, the panel noted that the FSRA, if created, would need to:

- be more proactive in conducting investigations and taking enforcement action;
- have an obligation to work with other regulators to share information about disciplinary and enforcement action to eliminate regulatory overlap and gaps;
- have the authority to levy administrative monetary penalties in any sector it regulates; and
- structure co-operative offering statement review fees in a manner that reflects its review costs.

Status of Actions Taken on Recommendations

FSCO provided us with information in the spring and summer of 2016 on the status of our recommendations. According to this information, 17 of 33 actions we recommended in our *2014 Annual Report* had been fully implemented.

With respect to pensions, these are:

- analyzing the reasons for the increase in the underfunding of defined-benefit pension plans
- assessing the Pension Benefits Guarantee Fund's (PBGF) financial risk exposure to potential claims and its continuation as an insurer of single-employer defined-benefit pension plans, and it using this information to recommend further possible changes to the *Pensions Benefits Act* and regulations to address the sustainability of the PBGF;
- seeking changes to the *Pension Benefits Act* to provide FSCO with powers similar to those of the federal Office of the Superintendent of Financial Institutions, including powers to terminate, appoint and act as a plan's administrator;
- establishing a staged approach for earlier monitoring and supervision of pension plans that have solvency deficiencies;

- introducing a program that regularly assesses the reasonableness of assumptions used in actuarial valuation reports;
- taking more proactive follow-up action against plan administrators that do not submit statutory filings on time;
- ensuring that its procedures for examining plans effectively address the risks associated with investments managed by plan administrators;
- ensuring it has the necessary information to identify plans at risk before employers launch bankruptcy proceedings;
- establishing an examination program for defined-contribution plans that provides effective monitoring and protection to plan members; and
- identifying and seeking to implement improvements to statutory annual disclosure requirements of a plan administrator that would provide more meaningful information to all members on the plan's performance and expenses.

With regard to financial services, FSCO has fully implemented our recommendations that:
- all approved co-ops offering statements are listed on its website; and
- it consult with the Ontario Securities Commission on the benefits of sharing or transferring the responsibility of reviewing offering statements.

With respect to market conduct, FSCO has fully implemented our recommendations that it:
- take timely action to investigate complaints, and have adequate systems and procedures in place to monitor the timelines and outcomes of its handling of complaints and investigations;
- identify common issues from its examination activities and share them with the industry, and consider action that can be taken to mitigate their causes; and
- establish systems and procedures to promptly identify, investigate and determine the con-

tinued suitability of registrants and licensees who have received sanctions from other associations.

FSCO had also made progress on four of the remaining actions we recommended. However, significant work is still needed to address our recommendations in areas that require legislative changes, including criminal background checks for co-op board members before the co-op is registered. Such policy decisions rest with the Ministry.

Each quarter, the Ontario Internal Audit Division (OIAD) reviews the status of our audit recommendations to monitor progress made by FSCO and assesses whether management's action plans can substantiate the status of implementation. Based on its latest review in August 2016, OIAD concluded overall that FSCO had made progress in implementing our recommendations. We reviewed the OIAD's report, and this is in line with our assessment of FSCO's progress to date.

The status of the actions taken on each recommendation is described in the following sections.

Pensions

Recommendation 1

In view of the significant increasing underfunding of defined-benefit pension plans in Ontario, the Financial Services Commission of Ontario should conduct an analysis of the reasons for this increase, the potential for plans to recover based on a variety of predictions of economic growth in the province over the next several years, and the financial exposure to the province should the underfunding situation not improve in the next few years.
Status: Fully implemented.

Details

In our 2014 audit, we found that as of December 13, 2013, 92% of defined-benefit pension plans were underfunded, with plan liabilities exceeding assets by $75 billion. This was a significant increase from December 31, 2005 when 74% of plans were underfunded, with a total deficit of $22 billion.

Due to the economic downturn in 2008, all types of defined-benefit plans saw an increase in their underfunding.

Since our audit in 2014, FSCO analyzed changes in the funded status of plans from 1992 to 2014 and the primary factors driving the change. The analysis showed that the primary factors affecting the change were long-term interest rates, investment returns and special payments to amortize funding deficiencies.

FSCO told us it had intended to calculate projected underfunding over the following few years, based on a range of economic growth scenarios. FSCO reviewed the province's GDP from 2005 to 2015 and found there was no correlation between the funded status of pension plans and economic growth.

It should use this information to identify and recommend strategies and changes to the legislation that could help to inform and mitigate the financial risk to sponsors and members of pension plans, as well as to legislators and taxpayers.
Status: Little or no progress.

Details

Since our 2014 audit, FSCO has not developed strategies or considered changes to legislation that would mitigate the financial risk to plan sponsors and members of underfunded plans. In July 2016, the Ministry issued a consultation paper about the solvency funding framework for defined-benefit pension plans, including how solvency is assessed and the minimum solvency funding requirements needed to balance the needs of plan sponsors, member, and retired employees. FSCO has told us that it will provide to the Ministry its analysis of the factors contributing to the underfunding of pension plans. Once the Ministry receives feedback to the consultation paper from stakeholders, it plans to draft the necessary legislative and regulatory amendments. FSCO is currently awaiting further information from the Ministry.

Recommendation 2

The Financial Services Commission of Ontario should assess the Pension Benefits Guarantee Fund's (PBGF) financial risk exposure to potential claims and its continuation as an insurer of single-employer defined-benefit pension plans, and it should use this information to recommend further possible changes to the Pensions Benefits Act *and regulations to address the sustainability of the PBGF.*
Status of both actions: Fully implemented.

Details

In our 2014 audit, we reported that the PBGF was intended to be self-sustaining through annual assessment fees it charged to certain defined-benefit pension plans. However, our audit found that the PBGF's financial risk exposure had increased significantly from 2008 to 2014. In 2008, the PBGF was exposed to the cumulative solvency deficiencies of the 2,258 pension plans it covered, which amounted to $6.6 billion at that time. By March 31, 2014, these cumulative deficiencies had grown by more than 400% to $28.9 billion, even though the PBGF covered only 1,894 plans, 19% fewer than in 2008.

Since our audit in 2014, FSCO's analysis of PBGF's financial risk exposure has shown there is one potentially significant claim on PBGF's funds. Although FSCO does not foresee any significant claims in the fiscal year ending March 31, 2017, it has projected that there is some likelihood of a significant claim in the fiscal years ending March 31, 2018 and 2019. Other than the one potentially significant claim, FSCO considers the overall liquidity risk to the PBGF for this time period to be low and will be using its analysis to consider how it can mitigate the PBGF's exposure to potential claims. It shared its analysis with the Ministry in August 2016, and the Ministry told us that it is reviewing these results while it considers revising the funding framework for defined-benefit plans in Ontario.

In our 2014 audit, we found that the PBGF's liability for paying claims of insolvent pension plans

was limited to the amount of the fund's own assets. As a result, since 1980, the PBGF had required loans and grants from the province totalling $855 million to cover all eligible claims. As of March 31, 2014, the PBGF had loans payable to the province of $220 million. Meanwhile, as of August 31, 2014, there were 15 employers with pension plans covered by the fund whose solvency deficiencies each exceeded $200 million. Several studies since 2008 have questioned the PBGF's viability and recommended that the government assess its continuation.

Since our audit, FSCO has analyzed the legislative and procedural changes required to monitor the PBGF's exposure to potential claims and address its sustainability. In August 2016, FSCO shared with the Ministry a report with several possible enhancements to legislation, including allowing the PBGF to seek external financing to meet short-term cash-flow needs, requiring parent companies of insolvent plan sponsors to provide those sponsors with financial support, and allowing the Superintendent greater discretion to order the wind-up of insolvent plans that could potentially file significant claims against the PBGF. The Ministry told us it is reviewing FSCO's proposed enhancements to legislation together with recommendations from the mandate review. The Ministry expects to make its final decisions about FSCO's mandate and possible changes to legislation in the fall of 2016.

Recommendation 3

To ensure the Superintendent has sufficient powers, authority and information to effectively monitor the administration and solvency of pension plans, the Financial Services Commission of Ontario should make changes to its policies and procedures, and, where necessary, seek changes to the Pension Benefits Act*, to:*

- *provide it with similar powers to that of the federal Office of the Superintendent of Financial*

Institutions, including powers to terminate, appoint and act as a plan's administrator;
Status: Fully implemented.

Details
In our 2014 audit we found that, for plans that were severely underfunded or not being administered in accordance with the *Pension Benefits Act*, the Superintendent could not take disciplinary action aside from prosecuting plan administrators, issuing compliance orders or ordering the wind-up of a plan. Even when an administrator was not meeting its obligations, the Superintendent could not appoint a new administrator, except for plans that were being wound up. On the other hand, the federal Office of the Superintendent of Financial Institutions (OSFI) had powers to remove a plan administrator and appoint a replacement for plans where there was an immediate threat to members' benefits.

After talks with FSCO, the Ministry posted a description in September 2016 of proposed changes to regulations in the *Pension Benefits Act* that would grant the Superintendent the power to act as or appoint an administrator. This included a proposal to expand the powers of the Superintendent to appoint a plan administrator where the employer is in receivership, or the subject of proceedings under the *Companies' Creditors Arrangement Act* or the *Bankruptcy and Insolvency Act*. Any changes to legislation will be made by the Ministry once the agency mandate review is complete. The Ministry informed us that this should occur in the fall of 2016.

- *establish a staged approach for earlier monitoring and supervision of pension plans that have solvency deficiencies;*
Status: Fully implemented.

Details
In our 2014 audit, we noted that unlike FSCO, the OSFI had a five-stage rating system that determined the type of intervention required for pension plans at risk of insolvency to minimize the risk to members.

In June 2016, FSCO finished implementing a staged approach for monitoring and supervising all pension plans. A risk score assigned to each plan determines the level of intervention by FSCO to address issues, including solvency. FSCO bases the risk score on information about each plan's risk in its funding, investment, administration, governance, sponsor and industry. This allows FSCO to identify high-risk plans and intervene earlier. FSCO has identified 29 high-risk plans, 14 of which have since become compliant with regulations; the remaining 15 are still under review.

- *increase the Superintendent's power to order a plan administrator to provide an actuarial valuation report, particularly when a plan has a solvency deficiency, and introduce a program that regularly assesses the reasonableness of assumptions used in these reports; and*
Status: First part of the recommendation—in the process of being implemented by December 31, 2016; second part of the recommendation—fully implemented.

Details

In our 2014 audit, we reported that under the *Pensions Benefits Act*, plan administrators of defined-benefit plans must file actuarial valuation reports every three years if their plan does not have a solvency concern, such as when the solvency ratio is 0.85 or higher, or annually if the solvency ratio is lower. FSCO does not have the power to order an interim actuarial valuation of a pension plan. Federal pension legislation requires more frequent filing of actuarial valuation reports. This allows for more accurate and timely reporting on the funding status of pension plans.

At the time of our 2014 audit, amendments to the *Pension Benefits Act* to provide the Superintendent with the powers to order plan administrators to file revised or additional actuarial valuation reports had yet to be proclaimed into force by the government. During our follow-up, the Ministry told us that it was actively considering developing regula-

tions that would allow these changes to be enacted. These regulations are being considered together with recommendations from the mandate review. The Ministry expects to complete this work in the fall of 2016.

In our 2014 audit, we also found that in the previous five years, FSCO received approximately 1,700 actuarial valuation reports annually. However, since the fall of 2011, FSCO had carried out detailed reviews of only a small number of actuarial reports each year on a sample basis. FSCO does not externally report the results of these reviews. However, as of June 2016, FSCO includes the review of a pension plan's actuarial valuation report in its staged monitoring of pension plans, and since then it has reviewed 28 reports.

FSCO told us it reviews actuarial assumptions for plans it considers to be at risk and when it prepares and publishes its annual defined-benefit pension plan funding report. Through its online information return intake process, FSCO also continues to assess whether actuarial assumptions used by pension plans fall within pre-set parameters. It was assessing the appropriateness of these parameters and revising them as needed.

- *take more proactive follow-up action against plan administrators that do not submit statutory filings on time, and acquire powers to impose penalties for late filing.*
Status: First part of the recommendation—fully implemented; second part of the recommendation—in the process of being implemented by December 31, 2016.

Details

In our 2014 audit we found that, as of May 2014, there were more than 1,300 plan administrators who had one or more statutory filings that were more than one year past due. FSCO had taken action against only 176 of these plans by sending a letter to the administrator.

In early 2015, FSCO started to monitor weekly whether filings were submitted on time, and it also

improved its follow-up process for plan administrators who did not submit statutory filings on time. FSCO now sends a second reminder letter and it attempts to call those administrators who do not respond within 45 days to its first warning letter. If the administrator does not submit required statutory filings after two call attempts, FSCO takes a risk-based approach to identify and correspond with pension plan administrators in a final attempt to get them to comply. If it still cannot get compliance, FSCO initiates legal action against the administrator under the *Provincial Offences Act*.

In our 2014 audit, we also reported that FSCO had the power to impose administrative monetary penalties in the mortgage and insurance sectors, but it did not have the power to do so in the pension sector, despite the fact that it recommended the required legislative changes to the Ministry in 2010.

In June 2015, FSCO submitted a report to the Ministry that proposed using penalties as a regulatory tool in cases of late filings and other contraventions of the *Pension Benefits Act*. The report also contained the legislative changes that would be required to impose these penalties. This report proposed fixed penalties for violations such as late or missing filings and variable penalties for all other offences. The Ministry told us it was considering FSCO's report in conjunction with the results of the agency mandate review, which recommended that the authority to levy penalties should be transferred to the Financial Services Regulatory Authority. The Ministry expects to make decisions based on recommendations from the agency mandate in the fall of 2016.

Recommendation 4

To ensure examinations of pension plans conducted by the Financial Services Commission of Ontario (FSCO) provide an effective level of assurance that plan administrators are operating in accordance with statutory requirements, FSCO should:

- *conduct more plan examinations and select plans for examination based on risks to members of the plan;*
  Status: In the process of being implemented by March 31, 2017.

Details

In our 2014 audit, we found that FSCO conducted 50 pension plan examinations annually in each of the previous three fiscal years. At that rate, we calculated it would take FSCO well over 100 years to examine the more than 7,300 plans it regulates, and about 14 years if it limited its examinations to plans on its solvency watch list.

At the time of our follow-up, FSCO had made some progress on our recommendation. In 2015/16 FSCO examined 55 plans and in 2016/17 it planned to examine more than 55 plans. In our 2014 audit, we found that plans selected for examination were chosen mainly because they had a record of investment concerns or late filings. FSCO now includes the results of its staged monitoring process for pension plans in deciding which plans to examine. In September 2015, FSCO retained a vendor to provide monthly data about the potential inability of plan sponsors to meet pension obligations. FSCO told us it was assessing how this information could be factored into selecting plans for examination.

- *ensure that its procedures for examining plans effectively address the risks associated with investments managed by plan administrators;*
  Status: Fully implemented.

Details

Our 2014 audit found that plan administrators provided only a summary of their plans' investments to FSCO, rather than a detailed listing. Financial statements filed by administrators similarly provided only partial information. Without more detailed information, FSCO would be unable to verify that plans were in compliance with investment regulations unless it conducted on-site examinations. Even when it did conduct these examinations, FSCO's reviews were focused on plan policies, and

it did not sample individual investments to check for compliance with federal laws.

After our audit, FSCO expanded its examination procedures for defined-benefit plans and defined-contribution plans. The expanded procedures include verifying that a plan's expenses are reasonable given its total size, permitted asset classes in which members can invest are clearly established, and which default investment options exist for members if they do not choose their own investments. These additional procedures allow FSCO to check whether plan assets have been invested in accordance with federal investment regulations and that plan members have appropriate information about the risks associated with their investments. The expanded procedures were used by FSCO to examine 55 plans in 2015/16.

- *provide guidelines to auditors of pension plan financial statements that set out minimum expectations for ensuring compliance with key requirements of the* Pension Benefits Act *as part of these audits;*
  Status: Little or no progress.

Details

In 2014, we found that FSCO did not provide guidance to auditors of pension plan financial statements so that they could ensure that plan administrators were complying with key requirements of the *Pension Benefits Act*. This would include verifying whether plan administrators exercised due diligence in the administration of pension plans, were paid reasonable fees, and that plan assets were invested as per federal investment rules. We noted that with auditors performing this work, FSCO would be able to allocate its limited resources to examining other risk areas of pension plans.

FSCO has made little progress in response to our recommendation. During our follow-up, it said it did not anticipate providing any additional guidelines to auditors until 2017 at the earliest.

- *ensure it has the necessary employer information to identify plans at risk before employers launch bankruptcy proceedings; and*
  Status: Fully implemented.

Details

Our 2014 audit found that the majority of FSCO-ordered pension plans wind-ups occurred because the employer went bankrupt. To identify employers who were facing financial difficulties, FSCO would need access to employer records and financial statements. However, under the *Pension Benefits Act*, FSCO had limited authority to access these records.

In October 2015, FSCO hired a vendor to gather information about plan sponsors' solvency risk. During our follow-up, FSCO said it was assessing how best to use information provided by the vendor as a reliable predictor of a plan sponsor's potential insolvency and how it could be factored into the process of selecting plans for examinations. FSCO also told us it did not have authority under the *Pension Benefits Act* to require employers to file financial statements.

- *establish an examination program for defined-contribution plans that provides effective monitoring and protection to plan members.*
  Status: Fully implemented.

Details

In our 2014 audit, we found that FSCO did very little to monitor whether defined-contribution pension plans were administered in accordance with the requirements of the *Pension Benefits Act* and the interests of plan members. We also noted that during the 14 examinations of defined-contribution plans that FSCO conducted over the previous three fiscal years, it did not assess the investments in detail or whether the plan invested assets in accordance with options selected by members.

Since our audit, FSCO has expanded its examination procedures for defined-contribution plans. In 2015/16, FSCO examined 15 defined-contribution plans. Three of these had service providers who administered the operations of the plans, and FSCO

verified that member contributions were invested as per members' selections, and that fees and expenses charged were appropriate and disclosed to members. In the other 12 plans, FSCO found deficiencies such as outdated policies and procedures and inadequate member benefit statements. FSCO told us that findings like these are common and recurring, and it would therefore examine 16 defined-contribution plans in 2016/17.

Recommendation 5

To ensure that pension plan members get more detailed disclosures about their pensions, and about the regulatory oversight performance of the Financial Services Commission of Ontario (FSCO), FSCO should:

- *identify and seek to implement improvements to statutory annual disclosure requirements of a plan administrator that would provide more meaningful information to all members on the plan's performance and expenses, and how their plan performed compared to other similar plans and relevant benchmarks; and*
  Status: First part of the recommendation—fully implemented; second part of the recommendation—little or no progress.

Details

In June 2016, FSCO completed a review of statutory annual disclosure requirements in other provinces and territories, such as the United States and the United Kingdom. It then prepared a report that recommended possible enhancements to current requirements, which it shared with the Ministry in October 2016. Additional disclosures recommended in the report include names and contact information of plan administrators and the earliest date a plan member is eligible to retire. Given the complexity of plan expenses and how they impact members, the report recommends that a public consultation be held to develop standardized reporting methods.

FSCO told us it would likely be impractical for it to recommend that plan administrators be required to assess their plan's performance against others because information about performance results and the underlying investment policies and strategies that would make the comparison meaningful are not required to be made publicly available; nevertheless, some plan administrators do assess their plan's performance against other plans when those plans do publish their performance results.

- *reassess its annual public reporting on pension plans in Ontario to provide more useful information for assessing how FSCO protects members' pension interests and how well their plan performed and was administered in comparison to other plans.*
  Status: First part of the recommendation—in the process of being implemented by March 31, 2017; second part of the recommendation—will not be implemented. The Office of the Auditor General continues to believe that individual plan comparisons are important for plan members to see how their plan compares to others.

Details

In our 2014 audit, we found that although FSCO published annual data about the size and number of pension plans in Ontario, as well as the overall solvency position of defined-benefit plans, it did not publish detailed information on individual plans. Without this information, plan members would not be able to assess how well their plan performed compared with other plans and the effectiveness of FSCO in protecting their interests. In comparison, FSCO's counterparts in Australia and the United Kingdom publish such information.

In October 2015, FSCO began publishing online quarterly reports that show the overall solvency status of defined-benefit plans. During our follow-up, FSCO said it was reviewing what additional information it could also publish about pension plans that members might find useful. It planned to complete this review by the end of March 2017.

FSCO also said it did not intend to publish information about individual pension plans to preserve confidentiality. Plan members can compare their plan's performance against others in Ontario as a whole using information that is already public.

Financial Services

Recommendation 6

To adequately protect members and investors of co-ops, the Financial Services Commission of Ontario (FSCO) should seek to have the necessary legislative authority under the Co-operative Corporations Act *to allow it to ensure that:*

- *all board members have criminal checks before the co-op is registered and any offering statements are issued;*
  Status: Little or no progress.

Details

In our 2014 audit, we reported that FSCO did not require criminal background checks for members of boards of directors, or officers of new co-ops prior to co-ops issuing offering statements.

In December 2015, FSCO provided to the Ministry draft amendments to the *Co-operative Corporations Act* that included a clause it believed would allow FSCO to conduct such criminal background checks. FSCO told us that with such legislation it would conduct standard criminal reference checks for people incorporating co-ops, and that if past offences were found, it would consider them on a case-by-case basis.

Since then, little progress has been made in response to our recommendation. The Ministry is still reviewing FSCO's recommendations and considering whether legislative changes are necessary.

- *all approved offering statements are listed on FSCO's website;*
  Status: Fully implemented.

Details

In our 2014 audit, we noted that FSCO had not allocated any resources to ensuring that co-ops present to potential investors only approved (receipted) offering statements by, for instance, listing all approved offering statements on their websites for the public to check.

In May 2016, FSCO issued a bulletin to inform co-ops that basic information about co-op offering statements approved by the commission after July 1, 2016 would be posted on its website. FSCO started to post the information that month, but it told us that it did not plan to post any historical information from statements approved prior to July 1, 2016.

- *it conduct ongoing monitoring of co-ops; and*
  Status: Little or no progress.

Details

In our 2014 audit, we found that FSCO did not conduct ongoing monitoring of co-ops to ensure that funds were invested in the projects outlined in the offering statements, nor did it conduct ongoing examinations of these co-ops to ensure they complied with the requirements of the *Co-operative Corporations Act*, including that FSCO approve offering statements.

FSCO told us that a legislative change would be required for it to have the authority to conduct ongoing monitoring of co-ops and that it provided the Ministry with recommended legislative amendments in December 2015. The Ministry told us it is reviewing FSCO's recommendations and considering whether legislative changes to the *Co-operative Corporations Act* are necessary, but did not indicate when it would make a decision. FSCO told us that it would continue to focus on verifying co-ops' information during the initial registration period.

- *fees charged to co-ops to review offering statements are commensurate with FSCO costs.*
  Status: Little or no progress.

Details

In our 2014 audit, we found that the fee that FSCO was authorized to charge for reviewing co-ops' offering statements was not commensurate with the amount of work it was doing. We also reported that FSCO received $500,000 a year from the government to cover the costs of its activity in the co-op sector.

FSCO told us it would have been inappropriate to proceed with this recommendation during the mandate review, given the recommendation to move the oversight of co-ops to the proposed new regulatory body, the Financial Services Regulatory Authority. As of our follow-up, FSCO planned to begin an analysis of its costs in the co-op sector and recommend possible fee changes to the Ministry in 2017, subject to any announcement by the government on the mandate review.

In addition, FSCO should consult with the Ontario Securities Commission on the benefits of sharing or transferring the responsibility of reviewing offering statements.
Status: Fully implemented.

Details

In our 2014 audit, we reported that FSCO's review of offering statements was very similar to the Securities Commission's review of prospectuses, without the added protections that are provided to investors under the *Securities Act*. We noted that the Securities Commission had the expertise, experience and capacity to conduct reviews of prospectuses filed as part of public offerings, while FSCO had to develop expertise to review co-ops' offering statements, which are different from its other reviews.

In November 2015 and February 2016, representatives from FSCO and the Securities Commission met to conduct exploratory discussions about how a potential transfer of responsibility would be carried out. FSCO also said there was a standing offer in place from the Securities Commission to assist FSCO with reviewing complex offering state-

ments in future. However, discussions were put on hold until the Ministry makes decisions with respect to the recommendations from the mandate review. The Ministry told us that it plans to make these decisions in fall 2016.

Recommendation 7

In order to make its licensing system and procedures effective so that only qualified agents are given licences, the Financial Services Commission of Ontario (FSCO) should ensure that:

- *its online licence system has the necessary controls to identify and reject licences for agents who do not meet minimum requirements;*
Status: Little or no progress.

Details

In our 2014 audit, we noted that the insurance agent licensing system had weak controls. Life insurance agents whose information about errors and omissions insurance information was missing from the database or was incomplete, or those whose policies had expired, were still able to renew their licences or receive initial licences. Under the *Insurance Act*, all life insurance agents are required to have errors and omissions insurance.

Since our audit, FSCO added some controls to its insurance agent licensing system. For instance, free-form text fields for identifying insurance providers were removed and the system now automatically sends an email reminder to agents notifying them that their insurance is about to expire. FSCO was assessing if these controls and some other process improvements it had made improved the accuracy of the errors and omissions insurance information in its database. The assessment was expected to be completed sometime in 2017. FSCO said that it would then decide if any additional controls were required. Although the added controls were a step in the right direction, overall FSCO had made little progress in response to our recommendation, as the system still did not automatically verify if the errors and omissions insurance information was valid at

the time it was entered by an agent, allowing for the licensing of agents who did not meet minimum licensing requirements.

- *it establishes agreements with all agents' errors and omission insurance providers to provide FSCO with timely information on agents' compliance with insurance requirements, and information about consumer claims made against agents; and*
  Status: Little or no progress.

Details

In our 2014 audit, we noted that FSCO relied on insurance providers to notify it of insurance agents whose errors and omissions insurance had expired or been cancelled. However, it was not mandatory for errors and omissions insurers to provide this information to FSCO and only some of the 150 insurance providers voluntarily did this. We also noted from our testing of complaints that several agents had operated for up to three years before they were identified as not having errors and omissions insurance. FSCO was also not tracking information about how many insurance claims had been filed against agents by their clients and which claims were valid.

In 2016, FSCO assessed the feasibility of gathering information about claims filed against insurance agents using data collected by the General Insurance Statistical Agency and the Insurance Bureau of Canada to support consumer protection. However, FSCO found it was not feasible to use available industry data to obtain detailed information on errors and omissions claims against life insurance agents. FSCO has also committed to working with insurance industry stakeholders to collect additional data in 2016/17, but has not indicated that it will be establishing agreements with errors and omissions insurance providers.

- *it investigates all agents who do not meet minimum standards, particularly for errors and omissions insurance requirements.*
  Status: Little or no progress.

Details

In our 2014 audit, we found that FSCO renewed numerous agents' licences without investigating their applications, even though they had previously declared bankruptcy, had criminal convictions, or had invalid insurance. As of August 2014, almost one quarter of active life insurance agents had missing or incomplete insurance information in FSCO's database.

During our follow-up, FSCO informed us that, due to limited resources, it has not yet been able to investigate all agents who did not meet minimum standards. During 2015/16, FSCO identified 1,200 agents who had a higher risk of non-compliance and investigated 214 of them. It found four agents who were not meeting minimum standards and, as of the conclusion of our follow-up, was determining the appropriate regulatory action to take in those cases. FSCO said that in 2016/17 it plans to investigate 200 more agents.

Market Conduct

Recommendation 8

In order to ensure that the Financial Services Commission of Ontario (FSCO) meets its mandate to provide regulatory services that protect the public interest and enhance public confidence in the regulated financial sectors, FSCO should:

- *take timely action to investigate complaints, and have adequate systems and procedures in place to monitor the timelines and outcomes of its handling of complaints and investigations;*
  Status of both actions: Fully implemented.

Details

In our 2014 audit, we noted that FSCO had targets for closing 80% of consumer complaints within 75 days and 98% of all complaints within 365 days. Although most complaints were generally closed within these timelines, we found that several complaints about issues that posed high risk to consumers took years to close. For example, in one

case, a complaint was received in September 2010 about a life insurance agent allegedly forging client signatures. This complaint was not investigated until March 2012, and the final report was not completed until April 2014. FSCO dropped the case in June 2014, citing insufficient evidence.

During our follow-up, we found that in fiscal 2015/16, FSCO implemented monthly monitoring and reporting of complaint handling to measure whether it was meeting its targets, as stated above. We reviewed the results provided to us and noted that overall, FSCO met its targets for handling consumer complaints within 75 days, and its overall target of closing 98% of all complaints within 365 days.

FSCO also informed us that its Licensing and Market Conduct Division is reviewing successes against targets, reasons for unmet targets and practicality of measures developed. It said it would further refine the measures during 2016/17.

- *assess the need for proactive investigations in each of its regulated financial sectors that would allow for periodic examinations of all registrants and licensees;*
  Status: Little or no progress.

Details

In 2014, we reported that FSCO only conducted proactive onsite examinations for mortgage brokers. It conducted examinations in the other regulated financial sectors and for insurance agents only if a complaint led to an investigation. We noted that this created a risk that lack of compliance with regulations by financial institutions and agents might go undetected.

Although in 2016 FSCO began using a risk-based method to identify licensees and registrants for periodic examinations, it had not assessed the need for proactive investigations in each of its regulated financial sectors. FSCO told us it did not have sufficient staffing to conduct proactive investigations in each of its regulated financial sectors.

- *identify common issues from its examination activities and share them with the industry, and consider action that can be taken to mitigate their causes; and*
  Status: Fully implemented.

Details

During our follow-up, we noted that FSCO has published reports on its website with the overall results of its examinations of regulated entities and licensed individuals, such as mortgage brokers, life insurance agents and service providers. FSCO told us that it was considering actions to mitigate causes of common issues identified from its examinations.

- *establish systems and procedures to promptly identify, investigate and determine the continued suitability of registrants and licensees who have received sanctions from other associations.*
  Status: Fully implemented.

Details

In our audit report, we noted that many life insurance agents, mortgage brokers and mortgage agents could be members of other associations or licensed by other bodies. We found that several agents and brokers had been disciplined or permanently banned by other regulatory authorities for serious breaches, such as misappropriation of clients' funds, failure to remit taxes, or sale of unapproved securities, with FSCO not aware of these infractions until months, or even years, after they had occurred.

Previously, FSCO did not receive updates from all Canadian regulators about agents who could also be licensed in Ontario, but who had been disciplined or banned in other jurisdictions. However, FSCO implemented a new process in 2016 to identify agents who have been sanctioned by any of the 36 other relevant regulators in Canada. With this new notification process, FSCO identified almost 50 sanctions from other regulators against its licensees from January to July 2016.

FSCO also established targets for closing investigations into these cases, including that 90% are closed or assigned to disciplinary officers within 150 days; 98% are closed or assigned to disciplinary officers in 365 days; and 85% are closed within 365 days of being assigned to disciplinary officers.

Since December 2014, FSCO has also signed memorandums of understanding with the Mutual Fund Dealers Association of Canada, the Real Estate Council of Ontario and the Investment Industry Regulatory Organization of Canada with regard to mutual assistance and sharing of information, including the regulatory action they may take against one another's licensees and registrants.

Recommendation 9

To ensure that regulatory processes exist commensurate with the size and maturity of the industries, the Financial Services Commission of Ontario (FSCO) should explore opportunities to transfer more responsibility for protecting the public interest and enhancing public confidence to new or established self-governing industry associations, with oversight by FSCO. Areas that could be transferred include licensing and registration, qualifications and continuing education, complaint handling and disciplinary activities. In addition, associations could be responsible for establishing industry-sponsored consumer protection funds to provide more confidence in their services by the public. FSCO should then submit such proposals to the Ministry of Finance for consideration of legislative changes that would make it possible.

For regulated financial sectors, including insurance companies, credit unions and caisses populaires that have fewer registrants, FSCO, in conjunction with the Ministry of Finance, should explore the possibility of transferring its regulatory responsibilities to the federal Office of the Superintendent of Financial Institutions.

Status: Little or no progress.

Details

In our audit report, we noted that FSCO was responsible for overseeing more than 55,000 registrants and licensees in the insurance sector, and more than 11,000 in the mortgage sector. Given the size of these industries, we stated that it might be beneficial for them to take on greater responsibility for self-regulation, similar to insurance brokers, who are regulated by the Registered Insurance Brokers of Ontario. With this transfer of responsibility, FSCO could instead allocate its resources to regulating the oversight bodies instead of individual entities. We found that FSCO regulates some financial sectors that have few registrants, such as insurance companies operating in Ontario, credit unions and caisses populaires, and that the federal OSFI could assume this responsibility instead.

As noted at the beginning of this report, an expert panel submitted its final report to the Ministry in March 2016. Decisions regarding transfer of FSCO's responsibilities and changes to its mandate rest with the Ministry. When we finished our follow-up, the Ministry told us it expects to make its decisions about FSCO's responsibilities and mandate in the fall of 2016.

Immunization

Follow-Up on VFM Section 3.04, *2014 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	1			1.0*	
Recommendation 2	2		1.0	1.0	
Recommendation 3	1			1.0*	
Recommendation 4	4		1.5	2.5*	
Recommendation 5	1			1.0	
Recommendation 6	3		2.0	1.0	
Recommendation 7	1			1.0*	
Recommendation 8	1		1.0		
Recommendation 9	3			2.0	1
Recommendation 10	3	1	1.0	1.0	
Recommendation 11	4		3.0	1.0	
Total	**24**	**1**	**9.5**	**12.5**	**1**
%	**100**	**4**	**40**	**52**	**4**

* Targeted implementation in 2020

Background

Immunization with vaccines can reduce or eliminate the prevalence of many infectious diseases and therefore help maintain a healthier population and reduce the health-care costs associated with the treatment of these diseases.

Ontario's publicly funded immunization schedule includes vaccines that protect against 17 infectious diseases. Eligible people in Ontario can be immunized against these infectious diseases at no cost. Most vaccines are administered by family physicians, but other health-care providers also administer certain vaccines, such as public health nurses administering the Hepatitis B vaccine in middle schools and pharmacists administering the influenza vaccine.

The Ministry of Health and Long-Term Care (Ministry) has overall responsibility for Ontario's immunization program, including advising the government on which vaccines to publicly fund and

the eligibility criteria for each one. The federal government is responsible for approving new vaccines prior to their use.

We estimated that operational funding for Ontario's immunization program was about $260 million in the 2015/16 fiscal year ($250 million in 2013/14 fiscal year). However, because the Ministry does not routinely track the total costs of the immunization program, it does not know whether the program is being delivered cost effectively. Information on children's immunization rates still relies on parents reporting information to public health units, often years after their child is vaccinated, as opposed to health-care providers reporting the information when they administer the vaccines. Consequently, immunization coverage information is not reliable.

Other significant issues we noted in our 2014 audit included the following:

- There was minimal provincial co-ordination of the immunization programs delivered by the 36 municipally governed public health units in Ontario. Public health units act independently and are not responsible to Ontario's Chief Medical Officer of Health. Moreover, the Ministry had not determined the most effective model for delivering Ontario's immunization program.
- Ministry funding to the public health units varied significantly, from $2 per person in one public health unit area to $16 per person in another. The Ministry had not analyzed the reasons for these variations to determine if such cost discrepancies are justified.
- Ontario was implementing a new system called Panorama, which was to include a vaccination registry, at an estimated cost that had escalated by over $85 million and was expected to exceed $160 million. Only vaccinations previously entered in the old immunization tracking system and those given to middle-school students were contained in Panorama. Vaccines given to infants were not recorded at the time of immunization and

therefore Panorama did not provide the data needed to identify areas of the province with low immunization coverage rates.

- Ontario's child immunization rates were below federal targets and, in most cases, below the level of immunization coverage necessary to prevent the transmission of disease. One public health unit reported that outbreaks would occur if its measles immunization coverage rate decreased by as little as 10% from its current immunization rate.
- The Ministry lacks information on immunization coverage in licensed daycares. Parents choosing a daycare for a child who is not able to be vaccinated cannot readily access public information on the percentage of children who are not immunized in each daycare. In one situation, we noted that 31% of children in a daycare were not immunized against measles.
- We found questionable flu immunization billings in 2013/14, including about 21,000 instances where the Ministry paid physicians and pharmacists for administering the flu vaccine more than once to the same person. As well, the Ministry did not have information on how many, of almost one million doses of the flu vaccine that it purchased, had actually been administered.
- The majority of the public health units we reviewed expressed concerns regarding excess and expired inventory at health-care providers. There is no cost to public health units or health-care providers who order more of the publicly funded vaccines than they use, and the Ministry has no system to consistently identify unreasonable orders. Health-care providers and public health units reported $3 million in vaccines expiring before use for the 2012/13 fiscal year.
- There was no process in place to ensure that new adult immigrants are immunized before or soon after arriving in Ontario. This makes them more susceptible to acquiring a vaccine-

preventable disease, which may spread to other unimmunized Ontarians.

Our recommendations included that the Ministry review the immunization program delivery structure and consider alternative options; develop processes to enable physicians and other health-care providers to electronically update the immunization registry each time they provide a vaccine to both children and adults; establish provincial immunization coverage targets and monitor whether they are being achieved; ensure that public health units are taking appropriate actions to identify and address areas of the province, including daycare centres and schools, with low immunization rates; publicly report immunization rates by daycare and school; and implement processes aimed at ensuring that the volume of vaccines ordered by health-care providers is reasonable.

Status of Actions Taken on Recommendations

In December 2015, the Ministry finalized a strategy to overhaul its immunization program by 2020. The 2020 strategy indicates the Ministry will address most of the recommendations made in our 2014 audit by that time, including reforming the governance and funding structure and reviewing the number and size of public health units; recording immunizations in a central database (Panorama) at the time of vaccination; developing immunization target coverage rates; and tracking actual rates of vaccination.

As such, and according to other information received from the Ministry, most of our recommendations are in the preliminary stages of being addressed. For example, the Ministry has initiated working groups and engaged consultants to oversee the redevelopment of immunization performance measures for public health units, and is implementing software that will allow physicians to record immunizations in a central electronic database

(Panorama). Also, legislation requiring parents to attend a course if they opt to not vaccinate their school-aged children due to religious or conscience reasons only received first reading in May 2016. With the prorogation of the Legislature, however, this bill would have to be re-introduced and subsequently passed in order for these new requirements to apply to parents seeking exemptions from immunization.

As of the beginning of 2016, all public health units were inputting all middle-school immunizations, and any infant immunizations they had administered, directly into Panorama. However, no new immunizations had been directly entered by family physicians. Therefore, paper records, or the "yellow cards," continue to be used predominantly for recording immunizations. The Ministry's estimated date for establishing an electronic interface with Panorama that will allow each physician to input vaccination records and to be able to query immunization records is the summer of 2017.

The Ministry added HPV immunization for boys in Grade 7 and shingles immunization for seniors aged 65 to 70 to the publicly funded schedule in 2016, as a result of re-evaluation of a long-term cost benefit analysis, and the shingles vaccine now being available in a fridge-stable form, respectively.

Overall, few of the recommendations we made in our *2014 Annual Report* have been implemented. While it is understandable that systemic changes such as establishing access to the Panorama system in doctors' offices could require some lead time, in our view, six years to implement some of the recommendations (between our 2014 audit and the 2020 strategy's end time) is excessive. The Ministry indicated it will not implement our recommendation to disallow duplicate billings by health care providers that administer the flu vaccine. Also, the Ministry has made little progress toward some of our recommendations relating to the following: publicly reporting immunization rates at daycares; identifying schools with low immunization rates; providing immunizations to all immigrants before they enter Ontario; and improving on the collection

of information on pharmacists and public health unit staff who have administered vaccines associated with adverse events.

Complex Program Delivery Structure

Recommendation 1

To ensure that Ontario's immunization program is delivered in an efficient and cost-effective manner, the Ministry of Health and Long-Term Care should review the immunization program delivery structure, including total funding and the allocation of funding to public health units. Such a review should consider alternative delivery options.

Status: Little or no progress made.

Details

The Ministry's 2020 strategy includes a plan to conduct a prospective review of how immunization services are delivered, with the goal of increasing immunization rates. The Ministry also facilitated a meeting of stakeholders in spring 2016 to discuss how immunizations are delivered in Ontario.

The Ministry indicated that it has not considered structural changes to the delivery of immunization services, such as the potential merging of neighbouring health units serving small populations. The Ministry informed us that since health units deliver about a dozen services other than immunization, a decision to merge would require a broader review of the public health system. The Ministry indicated that as part of its Patients First commitment, it plans to appoint an Expert Panel on Public Health, with the mandate of providing advice on structural, organizational and governance changes to public health. The Ministry plans to implement changes to the public health system in the future, which will be informed by the findings of this panel.

In regard to funding, the Ministry completed an internal review in 2013 of the funding methodology for public health units, which recommended using a formula where socio-economic characteristics of the local population, geography and health risks would determine appropriate funding levels. In

2015, the Ministry used this formula to proportionately allocate 2% additional funding to eight health units based on their socio-economic profiles. The Ministry has indicated that it will apply the funding formula on a year-by-year basis with some flexibility to address local needs. At the time of our follow-up, the Ministry had finalized its public health unit funding for 2016, which included application of the funding formula.

Cost and Reliability Concerns with New Information System

Recommendation 2

Prior to proceeding with the implementation of Panorama's outbreak and investigation components, the Ministry should assess the current data completeness and accuracy deficiencies of Panorama. In this regard, to ensure that public health units have access to reliable immunization registry information in the event of an outbreak, and to send reminders to those who are due for immunizations (for example, for children according to the immunization schedule and for adults every 10 years for their tetanus booster), the Ministry of Health and Long-Term Care (Ministry) should develop processes, as part of its implementation of Panorama, that enable physicians and other health-care providers to electronically update the immunization registry each time they provide a vaccine, including those provided to adults.

Status: In the process of being implemented by the summer of 2017.

Details

Vaccines administered by physicians represent the majority of vaccinations received over a person's lifetime. As a part of its 2020 strategy, the Ministry intends to record and track all immunizations in Panorama, including those given to infants by physicians.

The only data currently contained in Panorama has been either transferred from the old immunization tracking system or entered by public health units. At the time of our follow-up, the Ministry was in the process of developing a software tool

for physicians to use to record vaccinations in Panorama at the time they are administered. The Ministry commissioned an external consultant to develop the software tool in the summer of 2015. The Ministry plans for physicians to be able to input vaccinations in Panorama by the summer of 2017, at which time they will also be able to query patients' immunization records.

As well, to better contain the escalation of costs to implement all four components of Panorama, the Ministry should review the costs and benefits of implementing the system's outbreak and investigation components to determine whether they will meet the Ministry's needs. If they are assessed to be cost-beneficial, the Ministry should develop a plan, including a budget and timelines, to implement these components in a cost-effective and timely manner.
Status: Little or no progress made.

Details

In March 2015, Cabinet approved the removal of modules on outbreak management and investigations of vaccine-preventable diseases from the scope of the Panorama system's implementation. The Ministry had already internally decided to remove these two modules at the time of our 2014 audit. Without them, the management and investigation of disease outbreaks will continue to be performed through the old system. The Ministry has indicated that the old system will support these functions for another three to five years. It plans to begin a preliminary assessment of other technological options for performing outbreak management and investigation functions in the spring of 2017, which may include actually implementing the two modules of Panorama that were previously removed, continuing with the existing system, or acquiring a different software tool. The Ministry also plans to complete a review of lessons learned from British Columbia's implementation of these two Panorama modules. At the time of our follow-up, the Ministry had not conducted an analysis of the costs and benefits of implementing the two modules.

Better Tracking of Immunization Coverage Rates Needed

Recommendation 3

To promote higher vaccination coverage rates, including the achievement of herd immunity levels, and thereby protect against the spread of vaccine-preventable diseases, the Ministry of Health and Long-Term Care should establish targeted provincial immunization coverage rates for all vaccinations, and monitor, in conjunction with Public Health Ontario, whether they are being achieved.
Status: Little or no progress made.

Details

The Ministry retained a consultant to prepare a performance management and measurement framework in 2015, but this framework did not include any targeted coverage rates. The Ministry plans to continue to informally use the national immunization targets established by the Public Health Agency of Canada. The Ministry indicated that it might adopt these rates more formally after the Public Health Agency of Canada completes a review of coverage targets, which the Ministry will participate in. This review began in the summer of 2016.

Inadequate Process to Track and Address Low Immunization Coverage Rates for Children

Recommendation 4

To help prevent outbreaks by ensuring that a sufficient percentage of Ontario's population, including children, is vaccinated, the Ministry of Health and Long-Term Care should—together with improving the completeness and accuracy of the data tracked by Panorama's immunization registry—do the following:

- *harmonize the immunization requirements, including the vaccination, exemption and suspension processes, between schools and daycare centres by exploring the possibility of developing*

one overall piece of legislation to address disease prevention and infection control in daycares and schools, as recommended in the 2014 Immunization System Review;
Status: In the process of being implemented by December 2017.

Details

The Ministry has not developed an overall piece of legislation to address immunization requirements for both daycares and schools. However, in August 2015 the *Day Nurseries Act* was replaced by the *Child Care and Early Years Act*, and an amendment to it came into effect in August 2016 requiring parents of children in daycare to complete a Ministry-issued form and to swear before a commissioner for taking affidavits (e.g., lawyer, justice of the peace) that an immunization conflicts with their religious or conscience convictions. This is the same requirement and process for seeking non-medical exemptions for students attending school under the *Immunization of School Pupils Act*. While an overall piece of legislation was not introduced, the exemptions process has been harmonized by amending the *Child Care and Early Years Act*.

Regarding the harmonization of processes to suspend children who are not immunized, the regulations under the *Child Care and Early Years Act* give the Ministry of Education the authority to require daycares to comply with recommendations made by a public health unit regarding any matter that may affect the health or well-being of a child in daycare. The Ministry indicated that it plans to develop a process through which public health units can request the Ministry of Education to require daycares to obtain from parents of children in their care either a record of completed immunizations or an exemption form. The daycare may then suspend unimmunized children if their parents do not provide this information. The Ministry plans to implement this process when it finalizes updates to the Ontario Public Health Standards by the end of 2017.

Public health units continue to have authority and established processes for suspending unimmunized school students without exemptions.

- *review options for ensuring that parents who exempt their children from vaccinations for non-medical reasons are aware of the risks and benefits of being immunized, such as by requiring a signed statement from a physician stating that the parent received information on the risks and benefits of the vaccine;*
Status: In the process of being implemented for children in school when the bill amending the *Immunization of School Pupils Act* is passed; little or no progress made for children in daycare.

Details

In May 2016, the Ministry proposed an amendment to the *Immunization of School Pupils Act* that would require parents of school pupils who wish to exempt their children from immunization for religious or conscience reasons to attend a course on the risks of not vaccinating their child. Since the Legislature was prorogued at the time of our follow-up, the bill amending the Act could not be passed. Consequently, the Ministry could not estimate whether it will become mandatory for children attending school in the 2017-2018 school year, or a later year. The Ministry had yet to finalize the format and content of the course, and whether to make it available online or in-person only.

The Ministry has not finalized whether to require parents of children in daycares seeking a non-medical exemption from vaccinations to attend the proposed educational course on the risks of not vaccinating. The requirement currently only applies to parents of school children.

- *ensure that public health units are taking appropriate actions to identify and address areas of the province, including daycare centres and schools, with low immunization coverage rates; and*
Status: Little or no progress made.

Details

In February 2015, the Ministry sent a letter to all public health units asking them to identify and report back any instances of their non-compliance with public health standards on vaccine-preventable diseases, along with a plan to achieve compliance. One of these standards is the requirement of public health units to monitor coverage rates, but the Ministry's letter did not specifically ask public health units to report on whether they have evaluated immunization rates at schools and daycares in their region, identified any with low coverage rates, and taken relevant action to address them. Of the 19 public health units that reported non-compliance, only one explicitly reported having identified schools with low immunization rates for measles. The others did not report whether they had performed a review to identify such schools.

To strengthen the requirement for public health units to identify and address areas with low immunization coverage rates, the Ministry indicated that it will update Ontario's public health standards, and plans to do so by the end of 2017, and strengthen the requirements for public health units to perform such reviews.

- *publicly report immunization coverage rates by daycare and school so that parents of children who cannot be immunized can choose to send their child to a daycare centre or school with a larger percentage of vaccinated children, where an outbreak is less likely.*
  Status: Little or no progress made.

Details

The Ministry informed us that it plans to expand public reporting by publishing immunization coverage rates on a local basis, for example, by public health unit, school or school-board level, as part of its 2020 strategy. The Ministry indicated that it plans to begin publicly reporting immunization rates by school in March 2019 as part of the rollout of Panorama.

Because public health units are not currently required to receive children's immunization records before they are enrolled in school, the information necessary to determine and report immunization coverage rates at daycares is not currently available. The Ministry informed us that it plans to begin, in March 2019, to evaluate the feasibility of reporting immunization rates by daycare after it implements this requirement for schools. This will be made possible if a proposed amendment to the *Immunization of School Pupils Act* is passed to require physicians to report immunization information directly to public health units. If this occurs, the immunization status of children would be available at the time when they start attending daycare.

Process Needed to Better Deal with Vaccine-Preventable Disease Entering Canada

Recommendation 5

To reduce the risks of importing cases of vaccine-preventable disease into Ontario, the Ministry of Health and Long-Term Care, in conjunction with provincial stakeholders, including the Ministry of Citizenship and Immigration, should explore, in discussions with the federal government, the possibility of providing immigrants the opportunity to receive required vaccinations before arriving in Ontario. This would include consistently providing information on immunization to new immigrants.
Status: Little or no progress made.

Details

Although Ontario has not introduced new policies to address the immunization of immigrants, new policies were introduced regarding the Syrian refugee situation. In January 2016, the Ministry, in conjunction with Public Health Ontario, provided tailored education material to both Syrian refugees and primary-care physicians highlighting the importance of their immunization. This was aimed at ensuring refugees were immunized as soon as possible once they reached Ontario. The Ministry

introduced this measure because refugees are considered higher risk than other immigrants as they are susceptible to more illnesses due to exhaustion and other stresses and the lack of organized immunization services in refugee camps. However, this program is not able to stop illnesses from entering the province.

The federal government has expressed its intention to offer and fund immunizations for all refugees prior to entering Canada, as a part of the "Immigration Medical Exam," starting in April 2017. This physical examination is performed before refugees depart for Canada and also includes a urine test and chest X-ray. While the Ministry has informed us that it is advocating for further expansion of this initiative to all newcomers, at the time of our follow-up the Ministry was still in the early stages of its discussions with the federal government and had not yet identified a timeline for implementing this requirement.

Improvements Needed to Promotion of Immunization

Recommendation 6

To ensure that Ontarians can easily access information on the risks and benefits of immunizations, the Ministry of Health and Long-Term Care should:

- *in conjunction with stakeholders such as the College of Physicians and Surgeons of Ontario, ensure that physicians have easy access to clinical and technical evidence on vaccines, and to materials that provide simple terms for physicians' use when providing explanations to patients;*
Status: In the process of being implemented by the end of 2018.

Details

The Ministry has developed and, in September 2016, distributed accessible clinical and technical information about five vaccines for physicians to use, and a series of fact sheets that provide simple terms and explanations about vaccines for

patients. These include practical steps parents can take before, during and after a vaccine, such as being alert for common soreness and swelling or symptoms of a rare adverse event following immunization. The Ministry has also developed information on ten vaccine-preventable diseases, and included these on its website, called the Immunization Well-Child Toolkit. Physicians can also provide this information to parents and patients.

- *determine whether the bonus payments currently made to certain physicians are resulting in improved immunization rates in a cost-effective manner;*
Status: Little or no progress made.

Details

Immunization bonuses were introduced in the late 1990s through contract negotiations with the Ontario Medical Association (the body that negotiates payment contracts for all Ontario doctors) prior to our audit. The Ministry has determined that there is little evidence suggesting that bonus payments, whereby family physicians receive up to $2,200 for immunizing 95% of the children in their practice, have resulted in improved immunization rates. Any future change to the immunization bonus program would be subject to the Ministry's negotiations with the Ontario Medical Association.

- *help reduce duplication of effort by public health units in addressing concerns locally, by considering a more co-ordinated approach to public education regarding all vaccines, including a website that provides clear and understandable information on vaccine hesitancy issues.*
Status: In the process of being implemented by December 2017.

Details

In the summer of 2015, the Ministry surveyed public health units to better understand their needs for ministry-produced educational materials. Public health units indicated that they produce their own educational materials about half of the time

because often the ministry-produced materials are too generic (for example, local clinic information is not included), or they are received too late to be useful. However, public health units also indicated that because their communications teams are often small, the Ministry and Public Health Ontario could help by providing insight on the most effective communication approaches. As part of updating Ontario's Public Health Standards, the Ministry will begin reviewing a draft of a more formal protocol in December 2016, which is to outline what educational materials are best developed centrally and provided in a generic form, and which materials are best developed by individual health units. The Ministry expects to finalize the protocol by the end of 2017.

Regarding vaccine hesitancy materials, as noted in the previous section, the Ministry developed the Immunization Well-Child Toolkit in 2015, which includes a number of educational materials and fact sheets that both physicians and public health units can provide to parents and patients who are vaccine-hesitant.

Cost-Benefit Analysis Needed of Some Federally Recommended Vaccines

Recommendation 7
The Ministry of Health and Long-Term Care should implement a consistent process for examining the costs and benefits for Ontario of publicly funding vaccines recommended by the National Advisory Committee on Immunization. This process should include an examination of situations in which the vaccination costs are found to be less than the health-care costs of treating people who acquire a vaccine-preventable disease.

Status: Little or no progress made.

Details
As was the case at the time of our audit, prior to adding a vaccine to Ontario's publicly funded immunizations, the Ministry consults various scientific studies produced at the national and provincial

levels. Based on a review of this evidence, the Ministry makes a decision. Since our 2014 audit, the Ministry has added two vaccines recommended by the National Advisory Committee on Immunization to Ontario's publicly funded schedule and used a similar process to that followed at the time of our audit. The Ministry still has not adopted a consistent process for examining the costs and benefits of publicly funded vaccines in Ontario.

At the time of our follow-up, Public Health Ontario's analysis indicated that the shingles (Herpes Zoster) vaccine was particularly cost-effective for people aged between 65 and 70. The Ministry did not previously provide it to these people because, unlike other vaccines, the shingles vaccine at the time was required to be stored frozen until it was administered. The shingles vaccine can now be refrigerated similar to other vaccines. Consequently, in September 2016, the Ministry made the shingles vaccine available to Ontario seniors between the ages of 65 and 70 free of charge. This decision results in some of the people in the recommended age group receiving the vaccine, but not all because the Ministry did not provide the vaccine to seniors between 60 and 65 years of age, even though the analysis indicated it was cost-effective for this age group as well.

In the case of HPV, the Ministry re-examined studies conducted in 2012 and determined HPV immunization for boys to be cost-beneficial. HPV vaccines for boys are to be given in grade 7 starting in the 2016–17 school year.

Previously, these two vaccines accounted for the major differences between nationally recommended immunizations and the ones publicly funded in Ontario. However, the decisions to approve these two vaccines were based on different decision models, and not a consistent process for evaluating costs and benefits: one was based on practical considerations regarding storage conditions; and the other on a re-examination of a comparison between the cost of the vaccine against the number of healthy years a patient is expected to gain as a result of the vaccine.

Better Oversight of Influenza Immunization Program Needed

Recommendation 8

If there is support for the efficacy of the influenza vaccine to reduce the transmission of influenza, to help reduce the risk of hospitalized patients contracting influenza, the Ministry of Health and Long-Term Care (Ministry) should consider requiring hospital staff to either be immunized or wear a mask, similar to the practice in British Columbia, and monitor compliance. This could possibly be established in agreements between the Ministry and Local Health Integration Networks (LHINs), and LHINs and hospitals.
Status: In the process of being implemented by summer of 2017.

Details

In October 2015, Public Health Ontario completed a review of strategies used in Canadian and U.S. hospitals to prevent and control hospital-acquired influenza, including a review of "vaccinate or mask" policies. It concluded that these policies were effective in increasing flu immunization rates among hospital staff. However, Public Health Ontario also noted that available evidence on the effectiveness of hospital staff immunization in reducing flu transmission in hospitals was limited and further research on the topic is necessary. The Ministry anticipates further information on this to become available when a study that is currently underway across several Toronto hospitals is completed in the summer of 2017.

Staff at one Ontario hospital challenged that hospital's "vaccinate or mask" policy and in September 2015, after contentious discussions and sometimes conflicting testimony from medical experts, an arbitrator struck down the policy as an unreasonable condition of employment. The Ministry informed us that this decision applies to only this hospital and it would continue to encourage all health-care workers to be immunized against the flu. The Ministry also informed us that the arbitrator's decision would have no impact on the deliberations of an executive steering committee that was tasked in spring of 2015 with providing a recommendation on whether to implement a "vaccinate or mask" policy throughout the province. At the time of our follow-up, the steering committee had not made a recommendation but was planning to do so by the end of 2016. The Ministry indicated it would make a decision on the "vaccinate or mask" policy by the spring of 2017.

Improvements to Influenza Vaccine Program Needed

Recommendation 9

Given the rapidly growing interest on the part of pharmacists to administer the influenza vaccine, the Ministry of Health and Long-Term Care (Ministry) should assess the reasonableness of the rate paid to pharmacists to administer the vaccine so as to ensure that it is not excessive and is commensurate with pharmacists' costs and experience.
Status: Little or no progress made.

Details

In the fall of 2015, the Ministry compared the fees payable to Ontario pharmacists for administering the flu shot to those paid to pharmacists in other provinces. This comparison indicated that the $7.50 Ontario fee was lower than those paid in most other provinces. However, during our 2014 audit we noted that the Ministry had not performed an analysis of the relative costs and experience of the different health-care providers that were administering the flu vaccine to determine the reasonableness of the amount paid to pharmacists. At the time of our follow-up, the Ministry indicated that it would conduct further analysis of the reasonableness of the fee.

To help prevent health-care providers from administering a duplicate influenza vaccine to people who have already been vaccinated and to identify erroneous duplicate billings, the Ministry should:

- *review and revise its claims payment systems to reject billings from health-care providers for patients who have already received their influenza vaccine; and*

Status: Will not be implemented. Though consideration should be given to the minority of patients who require two doses of the flu vaccines, we continue to recommend that the claims payment system be updated to reject billings for patients who have already received an influenza vaccine.

Details

In May 2015, the Ministry implemented changes to its billing system, which now disallows payments for flu vaccinations outside of the flu season (which is September to May), and payments for a third immunization for the same person within a flu season. The Ministry indicated that payments for duplicate immunizations continue to be allowed since some patients, such as those with a compromised immune system, may require two doses within one season. We noted in our 2014 audit that only a minority of patients legitimately requires two vaccine shots to create immunity against the flu. However, the Ministry does not intend to revise its claim system to reject duplicate payments because the Ministry has concluded that duplicate physician billings for the flu vaccine occur too infrequently to warrant such measures.

- *periodically compare payments made to physicians for administering the influenza vaccine to those made to pharmacists, and follow up on duplicate payments made for the same patient.*

Status: Little or no progress made.

Details

The Ministry informed us that while it had not yet done so at the time of our follow-up, it planned to review billing data to identify any inappropriate billing patterns for the 2014/15 and 2015/16 flu seasons, and conduct a manual review of health-care providers to determine if the services they provided were appropriate. This review is to be completed by March 2017. During the 2015/16

flu season around 870,000 flu vaccinations were administered by pharmacists. No comparison of pharmacists' and physicians' flu-vaccination billings were made for the 2014/15 or the 2015/16 flu season to identify duplicates because the Ministry had not linked the two billing systems. The Ministry indicated that it planned to compare the billings for the 2015/16 flu season by March 2017.

Better Tracking Needed of Adverse Events Following Immunization

Recommendation 10

To enable meaningful analysis of adverse events following immunization and to help prevent future adverse events, the Ministry of Health and Long-Term Care, in conjunction with Public Health Ontario, should:

- *require health-care providers who administer vaccines to give patients standardized information about which adverse events should be reported;*

Status: Fully implemented

Details

In spring 2016, the Ministry and Public Health Ontario developed a fact sheet with information for parents on how to identify a reaction that could indicate an adverse event following immunization, such as worsening swelling at the injection area or rash. The fact sheet suggests an adult patient or a child's parent call the health-care provider who administered the vaccine to report the adverse event. Starting in the summer of 2016, as part of physician office inspections to ensure compliance with vaccine storage requirements, public health units began providing copies of the fact sheets to physicians and educating them on the importance of distributing the fact sheets to patients at the time of vaccination. The Ministry plans to survey physicians in the summer of 2017 to evaluate the effectiveness of this approach. Although the

Ministry has not implemented a strict requirement for health-care providers administering a vaccine to provide the fact sheet to parents, it has developed a fact sheet and is encouraging its use.

- *collect information on health-care providers who have administered vaccines associated with adverse events; and*
  Status: Little or no progress made.

Details

In April 2015, in response to our recommendation, Public Health Ontario updated the requirements on the information that public health units were required to collect regarding adverse events following immunization, making it mandatory for public health units to input the name of the physician who administered the vaccine. Having this information available makes it possible to identify physicians with unusually high adverse event rates. However, while Public Health Ontario collects the names of the other health-care providers that administer the flu vaccine, such as pharmacists and public health unit nurses, it does not enter them into its database. The Ministry is planning to require that the identity of pharmacists start to be collected by requiring that this information be entered in the database. The Ministry is considering whether to also require public health unit nurse identities to be entered in the database.

- *follow up on any unusual trends, including areas where adverse event rates look unusually low or high.*
  Status: In the process of being implemented by December 2017.

Details

In the spring of 2014, following our field work, for cases where it determined that reported adverse event rates were unusually low, Public Health Ontario began contacting public health units' Medical Officers of Health to discuss strategies on how to ensure adverse events do not go unreported. Beginning with its November 2015 report on vac-

cine safety, Public Health Ontario published the rates of reported adverse events following immunization per 100,000 of the population for each public health unit. These rates ranged from less than 1 per 100,000 population to over 27 per 100,000. For the 2017 calendar year, the Ministry plans to implement a performance indicator capturing the adverse event reporting rates for Meningococcal, HPV and Hepatitis B immunizations that health units administer to middle school students. These will be included in the Ministry's agreements with public health units and consequently any unusually high or low reported rates will be identified for follow-up.

Better Oversight of Vaccine Wastage Needed

Recommendation 11

To minimize vaccine wastage and maintain vaccine potency, the Ministry of Health and Long-Term Care should:

- *implement processes aimed at ensuring that the volume of vaccines ordered by and distributed at no cost to health-care providers is reasonable (for example, by monitoring information on their inventory levels through the new Panorama system);*
  Status: In the process of being implemented by the summer of 2017.

Details

Starting in November 2015, all 36 public health units started using the inventory module of Panorama, which means that the Ministry is now able to review and assess vaccine inventory in public health units as well as the quantities distributed to physicians' offices by the health units. Also in 2015, the Ministry updated the standard form used by physicians to order new vaccines; the form now requires physicians to include the number of vaccines they currently have on hand. This information can help the Ministry ensure that physicians'

offices do not order unreasonably large amounts of vaccines (that is, more than a month's worth). The Ministry indicated that public health units can now use Panorama to generate reports showing the monthly vaccine orders of each physician. They can therefore estimate the amount of vaccines a physician would use in a month and assess the reasonableness of vaccine orders. More accurate information on vaccine inventory levels at physicians' offices will become available when vaccinations are entered into Panorama as they are administered, which is not scheduled to occur until the summer of 2017.

- *revise the minimum standards for the types of fridges and thermometers used by health-care providers in vaccine storage, such as by prohibiting the use of bar fridges and min-max thermometers, which are less reliable at maintaining the correct vaccine temperature or providing information about the length of time fridge temperatures were outside an acceptable range needed to maintain vaccine potency;*
  Status: Little or no progress made.

Details

At the time of our follow-up, physicians were still permitted to use bar fridges and min/max thermometers. The Ministry plans to update the Public Health Standards in December 2017, which is to include requirements for storing publicly funded vaccines. The Ministry informed us that it plans to include a requirement for physicians who use bar fridges to store vaccines, to use data-logging thermometer to assess whether vaccines could have been spoiled by temperatures outside the acceptable range. While this measure would not reduce the risk of exposing vaccines to temperatures outside the safety range, which has been attributed to small generic bar fridges, it could at least provide data on the duration of exposure to more accurately assess whether a vaccine's potency has been affected.

- *in conjunction with the public health units, obtain and review information on vaccine wastage by each health-care provider, and follow up on providers with higher wastage levels; and*
  Status: In the process of being implemented by spring 2017.

Details

Prior to June 2016, the agreements between the Ministry and public health units did not hold the public health units accountable for vaccine wastage occurring at physicians' offices. In June 2016, the Ministry introduced a performance indicator that required public health units to monitor and minimize vaccine wastage in physicians' offices for one of the more common vaccines, the measles, mumps and rubella vaccine. The Ministry indicated that it plans to analyze the data forwarded from public health units in January 2017 from this new indicator and follow up with public health units in the spring of 2017. The Ministry also plans to follow up with public health units in spring 2017 regarding the wastage they have identified at physicians' offices.

- *review whether the process followed by public health units to inspect health-care providers' offices would be more cost-effective if it used a risk-based approach, such that providers that have higher wastage levels—whether because vaccines are not being kept at the correct temperature or because vaccines are expiring before they can be used—receive more focus, and require some inspections to be performed on an unannounced basis.*
  Status: In the process of being implemented by March 2018.

Details

Since May 2016, the Ministry has required public health units to conduct unannounced inspections of physician offices with either prior instances of high wastage of vaccines or inappropriate vaccine storage practices. In such cases, the public health units are also to provide education on appropriate

inventory management practices, reducing vaccine orders, encouraging stock rotation and minimizing vaccine stock at the provider's office. At the time of our follow-up, the Ministry indicated that it was planning to develop an evaluation framework to assess whether the current process would be more cost-effective if it used a more risk-based approach, such as sometimes waiving the requirement for an annual visit if the physician in question had low wastage in the past. The Ministry planned to complete this assessment by March 2018.

Ministry of Infrastructure (formerly the Ministry of Economic Development, Employment and Infrastructure)

Infrastructure Ontario— Alternative Financing and Procurement

Follow-Up on VFM Section 3.05, *2014 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	1		1		
Recommendation 2	3	2	1		
Recommendation 3	1			1	
Recommendation 4	1			1	
Recommendation 5	1		1		
Recommendation 6	1	1			
Recommendation 7	1		1		
Recommendation 8	1	1			
Recommendation 9	1	1			
Recommendation 10	1	1			
Total	12	6	4	2	0
%	100	50	33	17	0

Background

When the Province constructs public-sector facilities such as hospitals, court houses and schools, it can either manage and fund the construction itself or have the private sector finance and deliver the facilities under what is called an Alternative Financing and Procurement (AFP) approach, a form of public–private partnership frequently used in Ontario. Contractual agreements between the gov-

ernment and the private sector define AFP arrangements. Under these agreements, private-sector businesses deliver large infrastructure projects, and the various partners (private sector and public sector) share the responsibilities and business risks of financing and constructing the project on time and on budget. In some cases, the private sector is also responsible for the maintenance and/or operation of the project for 30 years after it is built.

The private sector initially finances construction of AFP projects, but as with projects delivered by the public sector, the Province ultimately pays for

these projects under the terms of their contracts, some of which are up to 30 years. The Province's March 31, 2016, public accounts reported almost $36.6 billion in liabilities and commitments that the present and future governments, and ultimately taxpayers, will have to pay. However, the financial impact of AFP projects is higher since the Province has also borrowed funds to make the payments to AFP contractors when the various projects reached substantial completion. These borrowed amounts are part of the total public debt recorded in the Province's Public Accounts.

Since 2005, large-scale infrastructure projects under the AFP model have been managed by Infrastructure Ontario. To assess whether each large infrastructure project should be delivered using the AFP approach versus directly by the public sector, Infrastructure Ontario conducts "value-for-money" (VFM) assessments. These VFM assessments compare the estimated project costs of the public sector delivering the project (known as the public-sector comparator, or PSC) with the estimated cost of delivering the same project to the identical specifications using the AFP delivery model. If the cost for the AFP delivery model is less than the cost for public-sector delivery, then there is positive VFM by procuring the project using the AFP approach.

For 74 infrastructure projects, either completed or under way at the time of our audit in 2014, where Infrastructure Ontario concluded that private-sector project delivery under the AFP approach would be more cost effective, we noted that the tangible costs (such as construction, financing, legal services, engineering services and project management services) were estimated to be nearly $8 billion higher than they were estimated to be if the projects were contracted out and managed by the public sector. The majority of this ($6.5 billion) relates to private-sector financing costs.

However, Infrastructure Ontario estimated that this $8-billion difference was more than offset by the risk of potential cost overruns if the construction and, in some cases, the maintenance of these 74 facilities was undertaken directly by the public

sector. In essence, Infrastructure Ontario estimated that the risk of having the projects not being delivered on time, and on budget, was about five times higher if the public sector directly managed these projects versus having the private sector manage the projects.

We also noted the following:

- There is no empirical data supporting the key assumptions used by Infrastructure Ontario to assign costs to specific risks. Instead, the agency relies on the professional judgment and experience of external advisers to make these cost assignments, making them difficult to verify. In this regard, we noted that often the delivery of projects by the public sector was cast in a negative light, resulting in significant differences in the assumptions used to value risks between the public sector delivering projects and the AFP approach.
- In some cases, a risk that the project's VFM assessment assumed would be transferred to the private-sector contractor was not actually transferred, according to the project's contractual agreement. For example, the VFM assessment for a hospital project assumed the contractor would bear the risks of design changes; however, this hospital project's contract indicated that the contractor was not responsible for project design, and that the public sector was responsible for the risk of design changes.
- Two of the risks that Infrastructure Ontario included in its VFM assessments should not have been included. Their combined cost over the 74 AFP projects was almost $6 billion. If they had not been included in the VFM assessments, public-sector delivery for 18 of these projects would have been assessed as $350 million cheaper than delivery under the AFP approach.

Based on our audit work and review of the AFP model, we noted that achieving value for money under public-sector project delivery would be possible if contracts for public-sector projects have

strong provisions to manage risk and provide incentives for contractors to complete projects on time and on budget, and if there is a willingness and ability on the part of the public sector to manage the contractor relationship and enforce contract provisions when needed.

Infrastructure Ontario has a strong track record of delivering projects such as hospitals, courthouses and detention centres on time and on budget. It may now be in a position to utilize its expertise to directly manage the construction of certain large infrastructure assets and thereby reduce the cost to taxpayers of private-sector financing. There is a role for both private-sector and public-sector project delivery. As experience with AFPs has developed, it may be time to assess what those roles and the financing mix should be going forward.

We recommended that Infrastructure Ontario gather data on actual costs from recent projects—both AFP and non-AFP—and revise its VFM assessment methodology to ensure that its risk valuations are justified; confirm that all risks assumed to be transferred to the AFP contractor are actually transferred in contracts; and that Infrastructure Ontario be engaged in traditional forms of procurement to utilize the experience that it has gained in delivering AFPs, for the most part, on time and on budget, in order to achieve additional cost benefits for Ontario taxpayers.

We made a number of recommendations for improvement and received commitments from Infrastructure Ontario that it would take action to address them.

Standing Committee on Public Accounts

On March 25, 2015, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2014 audit on Alternative Financing and Procurement. In June 2015, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made six additional

recommendations. Infrastructure Ontario and the Ministry of Infrastructure (called the Ministry of Economic Development, Employment and Infrastructure at the time of our audit) reported back to the Committee at the end of September 2015. The Committee's recommendations and follow-up on their recommendations are found in **Chapter 3**.

Infrastructure Ontario Special Committee Review and Investigation

In September 2015, reporters from *The Globe and Mail* met with Infrastructure Ontario's senior executives and the then vice-chair of its board of directors regarding allegations against a former employee who had been fired in February 2012. The employee was alleged to have been involved in a false invoicing scheme at York University and to have failed to disclose conflicts of interest in the procurement of the St. Michael's Hospital redevelopment project.

Due to the seriousness of these allegations, Infrastructure Ontario formed a Special Committee in October 2015 to review and report on the following:

- whether the employee's conduct or activities were improper or unauthorized in any way, including whether the employee communicated confidential Infrastructure Ontario business information to unauthorized persons or engaged in any financial malfeasance;
- the St. Michael's Hospital procurement and other Infrastructure Ontario projects in which the employee was involved;
- the circumstances relating to the employee's departure from Infrastructure Ontario; and
- any other related or ancillary matters that the Special Committee or the Minister of Infrastructure determines should be looked into.

On September 6, 2016, Infrastructure Ontario made the results of this review public. The review found that the employee failed to disclose all of his potential conflicts of interest in the St. Michael's

Hospital procurement. However, no evidence was found of any attempt to inappropriately influence the procurement evaluation for this project, and the procurement process for this project was not compromised.

The review also noted that Infrastructure Ontario's decision to terminate the employee was appropriate. This was based on the employee being implicated in the York University false invoicing scheme. However, Infrastructure Ontario's then CEO failed to consult with or inform Infrastructure Ontario's board of directors and audit committee of the circumstances of the employee's termination and also failed to note them in the employee's file. This resulted in two Infrastructure Ontario employees unwittingly providing positive references for the employee, who then obtained employment at St. Michael's Hospital.

Status of Actions Taken on Recommendations

Infrastructure Ontario has made progress on a number of our recommendations, including updating the evaluation threshold for AFP project delivery to $100 million, changing the process to incentivize project companies to complete minor deficiencies within the agreed-to period, and providing training and updates on its centralized database system to improve the completeness and accuracy of information on AFP projects.

However, some areas that still require work include gathering empirical data to support the valuation of risks in the value-for-money assessment used to justify the AFP approach, and ensuring that risks assumed to be transferred in the value-for-money assessments are reflected in the project agreements.

The status of the actions taken on each recommendation is described in the following sections.

Value-for-Money (VFM) Assessment

Recommendation 1

Infrastructure Ontario should, in conjunction with the Ministry of Economic Development, Employment and Infrastructure, gather data on actual cost experience from recent public-sector infrastructure procurements and alternative financing and procurements (AFPs) and revise its VFM assessment methodology to ensure that the valuation of risks assumed to be retained under both the AFP and public-sector delivery models are well justified.
Status: In the process of being implemented by March 2017.

Details

A key component of Infrastructure Ontario's VFM assessment is the valuation and assignment of risks retained under both the AFP and public-sector delivery models. For the projects we reviewed, it was only Infrastructure Ontario's costing of the risks and the impact of allocating them between the two delivery models that tipped the balance in favour of AFP over public-sector project delivery. In our 2014 audit, we noted that there was no empirical data to support those risk valuations and that Infrastructure Ontario's reliance on the judgment of external advisers made them difficult to verify.

Since our audit, Infrastructure Ontario has been able to access the recent actual costs only of the projects it manages under the Province's real estate portfolio. Beginning in 2015, Infrastructure Ontario included in its annual reporting of the track record for AFP projects the performance on traditionally delivered capital projects valued between $10 and $50 million that were delivered in 2013/14 and 2014/15 by its Real Estate Services division. These were found to be 71% on budget and 86% on time. AFP projects were found to be 98% on budget and 73% on time.

Infrastructure Ontario did hire a cost consultant in September 2015 to review five major hospital projects (with capital costs over $100 million) that had been traditionally delivered 10 years ago. The

consultant's report found that in comparing tender cost to final cost, the cost overruns for these five hospital projects ranged from 5.0% to 95.5%, with three of the projects under 10%, one at 35% due to environmental issues and other costs, and one at 95.5% due to lack of controls, insufficient resources and inexperience on large capital projects. Infrastructure Ontario has used these findings to justify estimating cost overruns at approximately 15% to 25% in its risk assessment for projects delivered under the traditional approach.

In addition, Infrastructure Ontario engaged another consulting firm to update the risk matrix for highway/transit projects in April 2015. However, this update did not rely on any empirical data, as the consultant's report stated, "there is no single comprehensive data base of public or private projects that could be identified or relied upon for the estimation of risk."

Infrastructure Ontario also used as further evidence to support its risk valuations a City of Toronto Staff Report on the Toronto-York Spadina Subway Extension, which noted that the project was over budget by as much as 21%.

In summer 2015, the Treasury Board/Management Board of Cabinet issued a new "Major Public Infrastructure Projects" directive that establishes the approval process and reporting requirements for large infrastructure projects in the province. Under this directive, ministries will start to report quarterly on the status of major projects including those that are delivered using either traditional or the Alternative Financing Procurement model by the end of 2016/17. We will continue to monitor the status of this initiative to collect comparable data on traditionally delivered and AFP projects.

Infrastructure Ontario indicated that it would like to migrate to a more business case approach from the current value-for-money assessments used to evaluate the suitability of projects for AFP delivery. In order to implement the new approach, it will need to work with the Treasury Board Secretariat, the Ministry of Infrastructure and other stakeholder ministries. It expects to start this process early 2017

and make recommendations to its board of directors by summer 2017.

Recommendation 2

To ensure that value-for-money assessments in procuring large-scale infrastructure projects are valid and objective, Infrastructure Ontario should confirm:

- *that all risks assumed to be transferred to the AFP contractor are supported by relevant provisions of the project agreement; and*
  Status: In the process of being implemented by December 2016.

Details

In our 2014 audit, we found a number of inconsistencies between the risks assumed to have been transferred to the private sector in Infrastructure Ontario's VFM assessments and their respective project agreements. Although Infrastructure Ontario has since updated its VFM assessment to consolidate and eliminate some redundant risks, we continue to see some risks that the assessments assumed to have been transferred to the AFP contractor but for which the contractor and province in fact continue to share or be responsible for the costs according to the project agreements.

For example, in our review of VFM assessments in 2014, we noted that a risk associated with permit approvals was considered to have been transferred to the AFP contractor; however, in the agreement it was shared between the contractor and the project owner. This remains the case in the updated VFM assessment and current project agreement.

On the same basis, the VFM assessments for Build Finance projects continue to assume that the risk of design errors is transferred to the AFP contractor, but according to the project agreement, this risk remains with the project owner.

At the time of our follow-up, Infrastructure Ontario was planning to amend the VFM assessments to align with the provisions in the project agreements for the two risk areas that we identified. Infrastructure Ontario was also expecting to

amend the risk templates for all new projects by December 2016.

- *that the costs assigned to retained risks in the public-sector comparator are not accounted for elsewhere in the assessments.*
  Status: Fully implemented.

Details

We identified in our 2014 audit two specific risks in Infrastructure Ontario's risk assessments whose costs accounted for one-third of the value in retained risks for the public-sector comparator that should not have been included.

The first was the "asset residual risk" being double counted for AFP projects with a maintenance component. Specifically, in addition to including a cost of nearly $3 billion in retained risk on the public-sector side in its VFM assessments, Infrastructure Ontario also assumed a base cost on the public-sector side for maintaining projects and replacing their major components in the same amount and timing as in the base cost on the AFP side. Under this situation, there should not be any difference in the condition of assets between the two procurement approaches and hence there should be no need for an additional public-sector comparator cost related to "asset residual" risk.

The second was the "planning, process and allocation practices" risk associated with delays caused by internal government approvals, which would be equally applicable under both delivery models, so there should be no difference in the risk under either model.

Infrastructure Ontario's update to its VFM assessment in 2014/15 reduced the amount of lifecycle costs by 40% under the public-sector comparator to recognize the historically observed under-spending by the Province. The asset residual risk also reflects the condition of the Province's real estate portfolio based on the amount of lifecycle spending by the Province. On average, the buildings in this portfolio have a Facility Condition Index (FCI = value of deferred maintenance/replace-ment value of the asset) of 18% by the time they are 30 years old. Infrastructure Ontario indicated that it typically assumes that traditionally delivered projects will have an FCI of approximately 20% as part of the value-for-money assessment.

In March 2015 Infrastructure Ontario also revised the probability and impact associated with the "planning, process and allocation practices" risk in its VFM risk matrix for both delivery models, in effect making this risk equally applicable under both models in the case of the civil projects (e.g., highway and transit projects) and significantly reducing the difference between the two models for social infrastructure projects (e.g., hospital projects). This risk has also been renamed "government approvals for program" as part of the update to provide clarity on the various risks in the assessment.

Infrastructure Ontario should also confirm that the threshold for what is considered a large-scale project is useful in screening projects that should be procured using the AFP approach versus the public sector delivering the project.
Status: Fully implemented.

Details

The Ministry of Infrastructure, in co-operation with Infrastructure Ontario, undertook a review of the screening threshold for AFP projects to determine whether an increase to the $50 million threshold was necessary. In spring 2015, the government announced that it will be moving to a new $100 million threshold to identify projects to assess for delivery through AFP. This new threshold is in line with thresholds for public–private partnership projects in other Canadian jurisdictions.

The government will assess complex projects under $100 million on a case-by-case basis for AFP delivery.

Recommendation 3

Infrastructure Ontario should ensure that all proposed changes to its VFM assessment methodology,

including its plan to increase the base cost on the public-sector comparator side by up to 13.3% to reflect value-added innovations that the private sector may be bringing to projects, can be and are fully supported and can sustain scrutiny.

Status: Little or no progress.

Details

At the time of our audit in 2014, Infrastructure Ontario had proposed a number of changes to its methodology for future VFM assessments. See **Figure 1** for the proposed and subsequent changes made.

Regarding the adjustment to reflect value-added innovations that the private sector may be bringing to projects, Infrastructure Ontario hired two consulting firms to review its AFP projects. Both firms surveyed and interviewed external companies involved in the delivery of infrastructure projects; one of the firms compared the winning bid to the average of all the bids for AFP projects.

Both firms concluded that the winning bidders were able to submit a lower-price bid by providing a design with reduced project area that could provide the same performance as defined in the

Figure 1: Changes to Infrastructure Ontario's Methodology for VFM Assessments

Source of data: Infrastructure Ontario

	Proposed Change in 2014	Actual Change Subsequent to Our 2014 Audit	Support for the Change
1.	Increase the base cost on the public-sector side by up to 13.3% to reflect value-added innovations that the private sector brings to projects that are not realized under public-sector procurement.	Included an innovation factor by increasing the base cost on the public sector side by 7.5% for Design Build Finance projects and 12% for Design Build Finance Maintain projects in the VFM assessment.	This adjustment was based on a comparison of the winning bid and the average of all the bids for the projects, as well as surveys and interviews conducted by two cost-consulting firms.
2.	Vary the percentage of the payment when a project's construction is substantially complete to optimize financing costs and ensure that the contractor has sufficient "skin in the game."	Increased the substantial completion payment from 50% to 60% on social infrastructure projects (e.g., hospitals, courthouses) and up to 85% for civil projects (e.g., highways, transit). Introduced "progress payments" on large Design Build Finance Maintain projects.	These adjustments were based on a review of past projects and comparison of the cost of public financing versus private financing. They are intended to manage the financing costs of AFP projects while still ensuring that there is effective risk transfer.
3.	Reduce the estimate of the risk premium on the AFP side from 5% to 10% of the base cost depending on the type of project to 0% to 6%.	Removed the risk premium adjustment on the AFP side of the VFM assessment.	Infrastructure Ontario provided no support for the removal of the risk premium from the VFM assessment on the AFP side apart from indicating that it was done as part of the review of the innovation factor adjustment.
4.	Exclude insurance premiums in the competitive neutrality adjustment on the public-sector comparator to avoid the double-counting of this cost.	Excluded insurance premiums from the competitive neutrality adjustment.	Adjustment recommended by our 2014 audit to avoid the double-counting of this cost.
5.	Consolidate the number of risks considered and assign new risk probabilities and impact to reflect Infrastructure Ontario's experience gained to date on the delivery of AFPs.	Reduced the number of risks in the VFM assessment from 60 to 40 and adjusted risk probabilities and impact where necessary.	The risk matrix for each asset class and delivery model was reviewed and a number of risks consolidated to reflect AFP project experience and risk allocation. However, new risk probabilities and impacts were not based on actual empirical data from traditional builds.

output specifications, or by providing a shorter construction schedule in some cases, and that these were deemed to be innovations that the bidders incorporated into their designs.

We continue to question whether the differences in bid prices are a good proxy for the innovation adjustment, as lower bids could be due to a number of other factors, such as idle capacity that a project company wishes to deploy and hence lowers its costs.

In addition, Infrastructure Ontario removed the 5% to 10% risk premium on the AFP side. However, it did not provide any support to justify this change.

As a result, the inclusion of the innovation adjustment of 7.5% to 12% to the public-sector-comparator side, combined with the removal of the risk premium of 5% to 10% on the AFP side, results in an actual adjustment of 12.5% to 22% in favour of the AFP delivery model.

Lastly, in adjusting risk probabilities and impacts, Infrastructure Ontario has not included the extent to which the adjustments are based on actual empirical data on traditional builds.

Recommendation 4

The Ministry of Economic Development, Employment and Infrastructure should also engage Infrastructure Ontario in traditional forms of procurement that utilize the experience that the agency has gained in delivering AFPs, for the most part, on time and on budget, in order to achieve cost benefits and to be consistent with the government's June 2011 strategic framework to guide investments in infrastructure in the province.
Status: Little or no progress.

Details

A January 2016 letter from the Ministry of Infrastructure noted that a review of Infrastructure Ontario's mandate under the new Agencies and Appointments Directive is scheduled to take place in 2016/17. This review will play a critical role in helping to ensure that the activities of Infrastructure Ontario are current and appropriately align with the government's policy objectives and priorities.

Procurement of AFP Contractor

Recommendation 5

In order to have a good estimate of project costs before seeking Treasury Board approval, as well as to better evaluate the reasonableness of future bids, Infrastructure Ontario should identify the reasons for the significant differences between actual contract values and its estimates of project cost, especially for projects that have long-term financing, maintenance and life-cycle costs. Infrastructure Ontario should accordingly review and update its process for arriving at these estimates.
Status: In the process of being implemented by winter 2017.

Details

In our 2014 audit we noted that there was a significant difference between the initial budgets approved for the projects and the actual contract value at financial close. We found that for 56 projects that were either substantially complete or under construction at the time of our audit, the contract value was about $12 billion (27%) lower than the initial budget. The majority of the difference was from long-term financing, lifecycle and maintenance costs. Overall, this variance indicated that Infrastructure Ontario's budgeting practices were not accurately estimating these longer-term costs of AFP projects.

Since our audit, Infrastructure Ontario has undertaken an analysis of budget trends from 2007 to 2015 for AFP projects to identify the reasons for differences between actual contract values and its estimates of project costs. It found that very conservative approaches were used in the initial AFP projects to compensate for the lack of industry familiarity and lack of good-quality data for AFP lifecycle and maintenance-cost estimates. The analysis showed improvement in the budget estimates over time with increasing industry familiarity as well as increased use of project data.

In addition, Infrastructure Ontario retained a cost-consulting firm to review its methodology in developing AFP project budgets. The final report

released in March 2016 found that while Infrastructure Ontario's methodology for producing budgets follows a process consistent with industry practice, there were some areas for improvements, including the following:

- Infrastructure Ontario appears to treat each project uniquely and does not apply standard percentage mark-ups for the various categories of costs across all projects. The consultant recommended that Infrastructure Ontario should continue to consider each project on its own initially and then compare it to benchmarks as part of its due diligence. This is a critical component of establishing reasonable budgets.
- Although the Social Design Build Finance Maintain (DBFM) portfolio (including, for example, hospitals and courthouses) appears to perform well, there is room for improvement with the Civil DBFM portfolio (including, for example, highways and transit), with only two out of the five project budgets in that portfolio meeting industry standards.
- Infrastructure Ontario should continue to track trends and make adjustments to the assumptions for projects currently in the transaction phase, working with data from completed projects to further refine its budgeting process.

In response to the concerns identified in the report, Infrastructure Ontario is setting up a new project database. The database will allow greater analysis and reporting on individual projects and sectors for comparative purposes. This will be useful information for developing project budgets. Infrastructure Ontario anticipates this system will be implemented in the spring or summer of 2017. In addition, the budget and cost management team was restructured in 2016. The resources needed to improve the budget performance for the Civil DBFM portfolio were identified. These included bringing in a Quantitative Surveyor or Analyst, expected to be hired in the fall or winter of 2016, and a new

Cost Consultant Vendor of Record, expected to be developed in winter 2017.

Evaluation of Bidders for AFP Projects

Recommendation 6

Infrastructure Ontario should review and update its system of scoring bidders' submissions to ensure that due consideration is afforded to both the technical merits of the submissions and to price.
Status: Fully implemented.

Details

In our 2014 audit we noted that Infrastructure Ontario's scoring system for evaluating bids gave the lowest bidder a decided edge, which often resulted in the strength of the submissions' technical aspects not being a significant factor. We noted a number of projects that were awarded to the lowest bidder, which in some cases had met only the minimum technical-design requirements for the project.

Following our audit, Infrastructure Ontario undertook a review of its evaluation methodology and concluded that changes to its scoring system were not necessary, as the current process requires all bidders to meet not only stringent qualification standards but also minimum design-technical requirements, which are of a high standard. However, Infrastructure Ontario introduced a number of other changes subsequent to its review, including the following:

- a sequential evaluation of requests for proposals, whereby technical results are now completely evaluated before any financial submissions are opened (in the past this was done simultaneously by the technical and financial evaluation teams);
- a minimum scoring threshold for technical submissions for Build Finance projects to ensure that certain construction standards, primarily dealing with scheduling, are met; and

- development of formal evaluation frameworks to describe and outline the evaluation process, which will be used to select the preferred bid for projects.

Recommendation 7

Infrastructure Ontario should ensure that participants involved in evaluating the submissions sign the required conflict of interest declaration that discloses any relationships with entities identified in the submissions.

Status: In the process of being implemented by spring 2017.

Details

It is important to ensure that all participants involved in the procurement of a project have declared all situations that could impact their objectivity in the evaluation processes. During our 2014 audit, Infrastructure Ontario was unable to provide us with signed conflict-of-interest declarations for a number of the participants involved in the evaluation of request for qualifications (RFQ) and request for proposals (RFP) submissions. In our follow-up work we also noted that Infrastructure Ontario still did not have signed conflict-of-interest declarations from all participants involved in evaluating the RFQs and RFPs submitted subsequent to our 2014 audit.

Since our 2014 audit, Infrastructure Ontario has established a Conflict Review Team (accountable to Infrastructure Ontario's General Counsel) whose role is to ensure that all participants in the evaluation process are clear of any disclosed conflicts of interest and that any perceived, potential or actual conflicts of interest are adequately managed and mitigated.

Infrastructure Ontario has also made a number of changes to its record-management process since our audit, including transferring the responsibility for record-management from the Procurement department to the General Counsel's Office and developing a close-out checklist to ensure the

necessary digital and physical storage of all related paperwork is maintained.

To improve its record-keeping process, Infrastructure Ontario has entered into a contract with a third-party service provider to pilot an electronic evaluation system, including creating an audit trail of the conflict-of-interest check-in and compliance. The effective date of the agreement was April 27, 2016, and Infrastructure Ontario expects to pilot the system on an AFP project in the spring of 2017.

Recommendation 8

Consistent with the March 2012 letter from the Minister of Economic Development, Employment and Infrastructure, Infrastructure Ontario should develop a formal process for managing the intellectual property rights acquired in exchange for the bid fees paid to unsuccessful bidders to ensure that the province receives any benefits from these rights in planning new projects.

Status: Fully implemented.

Details

As noted in the Framework for the Development and Delivery of Alternative Financing and Procurement Projects issued in June 2016 by the Ministry of Infrastructure, Infrastructure Ontario continues to be responsible for managing the intellectual property rights acquired in exchange for the design bid fees paid to unsuccessful bidders.

Since our audit in 2014, Infrastructure Ontario has centralized all electronic design submissions in its document management system, and project teams can now access them to inform the planning of future projects.

Monitoring of AFP Projects

Recommendation 9

Infrastructure Ontario should review the amount of the payments that it holds back at substantial completion of the projects it delivers to help ensure that minor deficiencies are corrected on a timely basis.

Status: Fully implemented.

Details

AFP agreements typically require minor deficiencies to be rectified within 45 to 120 days after reaching substantial completion. However, in our 2014 audit we observed that the average time to resolve such deficiencies was close to 13 months and, in two cases, hospital projects had not reached final close three years after substantial completion because all minor deficiencies had not yet been resolved.

Since our audit, Infrastructure Ontario has reviewed the holdback amount as well the methodology for calculating and paying it out. After its review it proposed a number of changes to the project agreements to incentivize the private sector to rectify minor deficiencies in a timely manner. These include the following:

- Changing the methodology for calculating the amount to be held back for minor deficiencies to hold back more money—Historically, the holdback was calculated at 200% of the project company's estimate of the cost to complete the work. Now this calculation is based on 200% of the Independent Certifier's estimate of what it would cost if Infrastructure Ontario or the project sponsor had to complete the work.
- No progress payments to the project company for completed minor deficiencies—No minor deficiency holdback monies will be released until all minor deficiencies, including seasonal work, are rectified as certified by the Independent Certifier/Consultant.
- Removal of the contingency of 30/75 days post-expiration of the minor deficiency rectification period—This effectively limits the project company's cure period solely to the time period established in the project agreements of 45 days for Design Build Finance and Design Build Finance Maintain projects, and 120 days for Build Finance projects, or as otherwise established by the Independent Certifier at the project's substantial completion. This permits the province to step in immediately after rectification periods have

expired to complete the deficiencies using the holdback funds.

These proposals were adopted in principle for all in-market and future projects in February 2016. At the time of our follow-up in August 2016, Infrastructure Ontario had implemented these new proposals in its six projects currently on the market.

Recommendation 10

In order to properly monitor the construction phase of projects, Infrastructure Ontario should ensure that information on individual projects is stored in a centralized database using a consistent structure and that its construction status reports are accurate and complete.

Status: Fully implemented.

Details

Infrastructure Ontario produces a monthly construction status report for each project. In our 2014 audit we noted instances of incorrect or incomplete reports. For example, in some of the reports the budgeted costs for the projects did not agree with their most recent budgets, and the list of change orders related to certain projects was not complete. We also noted that information on projects was stored in multiple locations or databases, including staff personal computers and emails. There was no consistent structure or centralized database for this information. This created a real risk of a loss of knowledge on projects if a staff person responsible for monitoring a project were to leave the agency.

In the fall of 2014, Infrastructure Ontario made a number of modifications to its centralized database system to make it more user-friendly and comprehensive for staff use. Training on the use of the system and reporting templates have been provided to all staff following these modifications:

- expanding the functionality of the system to capture projects in the pre-transaction phase that is before the request for proposal stage, allowing for more complete project status information in the system (in the past,

projects were only added to the centralized database when they reached the request for proposal stage);

- automating transaction reports and claims processes in the system to ensure easy transition of project information and tracking from the transaction phase to the construction phase; and

- enhancing the "help" function for the Risk Register and Project Status Update processes to provide clarification to users when needed.

As well, to ensure the completeness and accuracy of the information being reported, Infrastructure Ontario undertook a review of the data in its Construction Status Reports and worked with project teams to align all budget, contingency and variation information back to source documents. As of August 2016, this review had been completed for 34 AFP projects.

In July 2016 Infrastructure Ontario established a new Project Management team inside its Major Projects Division. This team is responsible for ensuring the completeness of the information reported in the system and the consistent use of the system. Where missing information or non-compliance is identified, the appropriate project team is to be notified so that it may rectify the issue.

Ministry of Infrastructure (formerly the Ministry of Economic Development, Employment and Infrastructure

Infrastructure Ontario's Loans Program

Follow-Up on VFM Section 3.06, *2014 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	1	1			
Recommendation 2	1	1			
Recommendation 3	1	1			
Total	**3**	**3**	**0**	**0**	**0**
%	**100**	**100**	**0**	**0**	**0**

Background

Ontario Infrastructure and Lands Corporation, commonly referred to as Infrastructure Ontario, is a Crown corporation established by the *Ontario Infrastructure and Lands Corporation Act, 2011* (Act). Infrastructure Ontario is governed by a board of directors that is appointed by the Lieutenant Governor in Council and accountable to the Minister of Infrastructure (at the time of our audit in 2014, the Minister of Economic Development, Employment and Infrastructure).

Infrastructure Ontario has four main lines of business that deal with both government and non-government clients: Major Projects—managing large, complex public infrastructure projects through the alternative financing and procurement model; Real Estate Services—managing the Province's real estate and lands portfolio; Infrastructure Lending—administering the Loans Program; and Commercial Projects—leveraging private-sector partnerships and investments for efficiency in government services and investments.

Through the Loans Program, Infrastructure Ontario has been lending money to municipalities, the broader public sector and the not-for-profit sector in Ontario for the development of infrastructure. Infrastructure Ontario's Loans Program employs 26 full-time-equivalent staff, including loan officers, commercial underwriters, client-relations personnel, credit risk analysts, project managers, treasury analysts and legal advisers. The Program's 2015/16 expenditures amounted to $7.1 million for salaries and administration costs.

Loans Program

The Loans Program had been lending infrastructure funds to municipalities under several other corporate structures before Infrastructure Ontario was created in 2011. In 2004, the Ontario Strategic Infrastructure Financing Authority (OSIFA) was formed to manage municipal loans formerly granted under the Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA). OSIFA was established to expand the OMEIFA's mandate from one of lending strictly to Ontario municipalities to one that included borrowers in the broader public and not-for-profit sectors as well. Between 2006 and 2011, OSIFA and several other Crown agencies were amalgamated, ultimately creating the Ontario Infrastructure and Lands Corporation (referred to as Infrastructure Ontario throughout the report).

When OSIFA was formed and took over the Loans Program in 2004, it was administering a portfolio of approximately $514 million in municipal loans. Since then, the types of borrowers eligible for the Program have grown from solely municipalities to 10 eligible sectors. The eligible sectors, which are outlined in the Act and further detailed in Ontario Regulation 210/11 of the Act, are as follows:

- municipalities;
- universities and affiliated colleges;
- municipal corporations (including power generation and local energy-distribution companies and district energy corporations);
- local services boards;
- not-for-profit long-term-care homes and hospices;
- not-for-profit social and affordable housing providers;
- Aboriginal health access centres;
- community health and social services hubs;
- not-for-profit arts training institutes; and
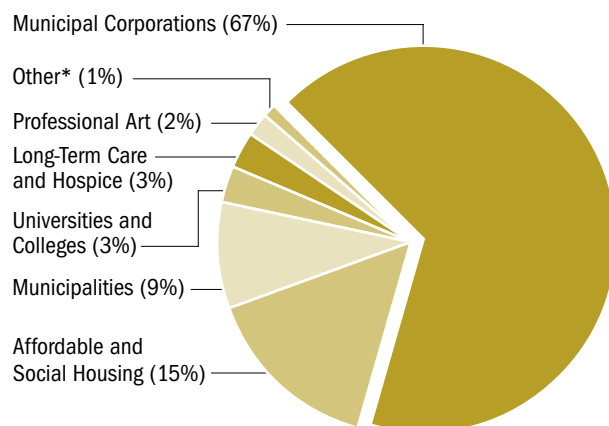- not-for-profit sports and recreation organizations.

Entities that fall into one of the above sectors are eligible to borrow money from Infrastructure Ontario. In addition, certain other entities (such as the 2015 Pan American Games Organizing Committee and MaRS Discovery District) have been named eligible borrowers under the Act and its regulations.

The expansion of the Loans Program to the broader public and not-for-profit sectors has given borrowers who previously may not have had an external credit rating access to affordable financing through the province's high credit rating and low cost of capital. Under the Loans Program's expanded mandate, Infrastructure Ontario has a portfolio of 1,310 loans advanced to 379 borrowers, and it has approved loans totalling more than $7.7 billion since the inception of the Program. As of March 31, 2016, Infrastructure Ontario's balance of outstanding loans receivable totalled approximately $5.3 billion. **Figure 1** shows this balance by sector.

In managing credit risk for its portfolio—defined as "the potential for default or non-payments of loan principal and interest by borrowers of scheduled interest or principal repayments"—Infrastructure Ontario has developed a general credit risk policy as well as an individual credit risk policy/guideline for each of the 10 eligible borrowing

Figure 1: Total Outstanding Loan Advances by Eligible Sector, March 31, 2016

Source of data: Infrastructure Ontario

Municipal Corporations (67%)
Other* (1%)
Professional Art (2%)
Long-Term Care and Hospice (3%)
Universities and Colleges (3%)
Municipalities (9%)
Affordable and Social Housing (15%)

* Includes community health and social services hubs, Aboriginal health access centres, sports and recreation organizations, and local services boards.

sectors. Each sector policy/guideline outlines the sector's general credit strengths and risks, as well as common individual risks within the sector. The policies/guidelines also outline Infrastructure Ontario's maximum exposure limits for individual loans and for each sector overall, debt service coverage ratio limits for potential borrowers within the sector according to their risk class, and other sector-specific limitations.

Our 2014 audit found that Infrastructure Ontario needed to enhance its credit-risk assessment models (particularly for non-municipal borrowers), and update and strengthen its credit-risk policies. In addition, Infrastructure Ontario needed to formalize its loan-monitoring procedures, which were not well documented at the time of our audit. We found as well that Infrastructure Ontario should have a monitoring tool to track and monitor compliance with non-standard loan covenants within certain loan agreements.

Other significant observations from the 2014 audit included the following:

- Generally, Infrastructure Ontario had policies and procedures for lending and approval in place to ensure that loans to borrowers in the eligible sectors were made at terms commensurate with the associated risk. The vast majority of borrowers were making payments as required, and loan losses were historically quite low. However, the higher-risk loans were loans that did not fall into the eligible borrowing sectors but had been made eligible through other means in order to support the government's plans and priorities, such as support for the arts and for research and innovation.

- In one case, a loan for up to $235 million ($216 million was outstanding as of March 31, 2014) to a subsidiary of MaRS Discovery District, a not-for-profit organization that would not otherwise have been eligible for the Loans Program, was made possible by a regulatory amendment. The loan was to provide financing to complete the construction of a commercial office and research tower—which was to be

built, owned and operated by a private-sector developer—after the developer was unable to secure financing to complete the construction. As part of the loan, the Ministry of Research, Innovation and Science (at the time of our audit in 2014, the Ministry of Research and Innovation) also provided a 15-year debt service guarantee for up to $7.1 million per year to cover the financial risk posed by the lack of committed tenants for the project.

- By December 2013, further difficulties on this project meant that the Ministry of Research and Innovation had to honour the guarantee it provided to facilitate the loan, as the amount of space leased out was not sufficient to support the loan-interest payments that were coming due in January 2014. Our audit noted that the lack of transparency around the policy objectives and intended benefits to be obtained in return for the significant risks assumed in providing the loan and guarantee created the perception of a bailout of a private-sector developer. We noted that it was still uncertain whether the benefits realized from this transaction will ultimately outweigh the risks and costs assumed.

- Also on the troubled loan list were two older loans made to not-for-profit organizations with a combined balance of approximately $75 million outstanding as of March 31, 2014. Both loans were approved based on optimistic assumptions about donation revenues that have not materialized to date. Approval by Order-in-Council was required for one of these borrowers to become eligible for the Loans Program. Neither borrower would have qualified for loans under Infrastructure Ontario lending policies regarding donation revenues that were in place at the time of our audit. Neither loan was in default at the time of the audit.

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

Standing Committee on Public Accounts

On September 23, 2015, the Standing Committee on Public Accounts (Committee) held a public hearing on Section 3.06 of our *2014 Annual Report*, Infrastructure Ontario's Loans Program. Subsequent to the hearing, in October 2015, the Committee wrote a letter to the Ministry of Infrastructure (at the time, the Ministry of Economic Development, Employment and Infrastructure), endorsing the findings and recommendations in our report and acknowledging Infrastructure Ontario's responses to our recommendations and the additional information provided at the hearing. The Committee was satisfied with the information provided at the hearing and had no further recommendations.

Status of Actions Taken on Recommendations

Infrastructure Ontario has implemented all three recommendations in our *2014 Annual Report*, which were aimed at ensuring sufficient monitoring and tracking of the loans made under the Program.

For instance, with respect to the monitoring of loans, Infrastructure Ontario has revised its Credit Risk Management Policy by updating the individual credit risk policies (now called Sector Lending Guidelines and Procedures) for five eligible borrowing sectors covering most of its portfolio. In addition, Infrastructure Ontario also fully implemented 34 out of the 36 recommendations from an external review of its credit and lending processes, and implemented a new loan system that became operational in September 2014, where all non-standard loan covenants have been recorded in the system for tracking and monitoring.

The status of the actions taken on each recommendation is described in the following sections.

Municipal Loans

Recommendation 1

To ensure that outstanding municipal loans are effectively monitored, Infrastructure Ontario should formalize and document its monitoring procedures regarding municipal loans.
Status: Fully implemented.

Details

Infrastructure Ontario monitors municipal loans through an annual review of the municipalities' audited financial statements; through data collected in the annual Financial Information Return from the municipalities—the main tool for collecting financial and statistical information on municipalities—which is managed by the Ministry of Municipal Affairs and Housing (MMAH); and through discussions with MMAH, where appropriate. Infrastructure Ontario's Credit Risk Department uses the annual review to identify borrowers with low credit scores and assess any potential impact this may have on debt repayment.

Our 2014 audit noted that although Infrastructure Ontario had sufficient procedures in place to monitor municipal loans, they could be better documented.

Since our audit, Infrastructure Ontario in September 2015 updated its Credit Risk Management Policy and its Sector Lending Guidelines and Procedures for municipalities, which document the monitoring procedures for municipal loans. The Credit Risk Management Policy now defines Infrastructure Ontario's responsibility for ensuring appropriate credit management planning and risk measurement, and for monitoring and reporting on existing and potential credit risks and environmental risks in its portfolio of loans.

The updated Sector Lending Guidelines and Procedures for municipalities now has a section dedicated to analysis and due diligence required for municipal loans, and lists specific areas such as the mandatory completion of the Municipal Scoring Model that should be checked against Infrastructure Ontario's minimum requirements. Infrastructure

Ontario will actively monitor municipalities that score below these minimum requirements to understand the causes contributing to their drop in creditworthiness and how to best address these.

Review of Infrastructure Ontario's Credit and Lending Review Process

Recommendation 2

To ensure that loans issued to eligible borrowers reflect the associated risks, and that outstanding loans are effectively monitored, Infrastructure Ontario should implement all components of its action plan to address the deficiencies identified in the 2013 consultant's review of its credit and lending processes.
Status: Fully Implemented.

Details

In June 2013, Infrastructure Ontario hired an external consulting firm to conduct a review of its lending and credit review processes. The review had 36 recommendations, including:

- refining the Credit Risk Policy to be more prescriptive and to cover all relevant loan processes;
- enhancing existing policies and procedures to facilitate the consistent use of underwriting and credit assessment;
- establishing a minimum global debt service coverage ratio requirement;
- formalizing the current monitoring process to identify potential problem accounts in a systematic way; and
- implementing an annual loan review process.

In March 2014, Infrastructure Ontario management presented an implementation plan to address all 36 of the report's recommendations to its board of directors, with an April–September 2014 timeline.

Since our 2014 audit, Infrastructure Ontario has fully implemented 34 of the recommendations through the updates to its Credit Risk Management Policy and its Lending Guidelines and Procedures.

Infrastructure Ontario will not be implementing the other two remaining recommendations, relat-

ing to adjusting the loan interest rate in relation to borrower creditworthiness and incorporating additional information and conditions on the borrowing rate within the Term Sheet. This is because the vast majority of borrowers are making their payments as required, and loan losses have been historically low.

Recommendation 3

To ensure all loan covenants are being monitored and appropriate action is taken when associated risks warrant it, Infrastructure Ontario should develop a tracking tool to record and monitor all non-standard covenants that are included in signed loan agreements.
Status: Fully implemented.

Details

Infrastructure Ontario's Credit Risk department is responsible for credit application review and loan monitoring. At the time of our audit in 2014, the department was in the process of developing and refining a number of loan-monitoring tools and other reporting tools, but its loan-monitoring policies and procedure were still informal. In addition, our audit found a number of instances where non-standard restrictions or covenants had been included in loan-financing agreements to address specific risk areas. However, we did not see evidence that Infrastructure Ontario was monitoring compliance with these covenants.

Since our audit in 2014, Infrastructure Ontario has implemented a new loan system that became operational in September 2014 with the functionality to track and monitor loan covenants. All non-standard covenants in the loan agreements have been entered into the system, and reports are generated weekly for the loan officers to monitor the due dates for the submission of the necessary information to assess compliance with the covenants. Loans with covenant breaches are identified for further follow-up and are reported quarterly to senior management and the board of directors. As of March 31, 2016, there were six loans ($108 million) on the Loan Watch List identified for further monitoring.

MaRS Phase 2 Inc. Loan Update

In May 2010, the Credit and Risk Management Committee of Infrastructure Ontario's board approved a loan for up to $235 million ($216 million was outstanding as of March 31, 2014) to a subsidiary of MaRS Discovery District, a not-for-profit organization that would not otherwise have been eligible for the Loans Program. The loan was made possible by a regulatory amendment. Its purpose was to provide financing to complete the construction of a commercial office and research tower—which was to be built, owned and operated by a private-sector developer—after the developer was unable to secure financing to complete the construction. Infrastructure Ontario approved the loan with a debt service guarantee from the Ministry of Research and Innovation in lieu of a condition requiring 80% of the building to be pre-leased, which Infrastructure Ontario required the developer to meet before any funds could be advanced on the loan. This guarantee transferred the loan default risk from Infrastructure Ontario's Loans Program to the Ministry.

In December 2013, the construction of the tower was completed and an occupancy permit was issued; however, only just over 30% of the space available had been leased. As well, MaRS Discovery District did not have the required funds to service lease commitments it had made and the interest payments on the loan. On February 3, 2014, Infrastructure Ontario notified the Ministry of Research and Innovation that it would be requesting a draw on the debt service guarantee to service the loan. At the same time, the Minister of Infrastructure also asked Infrastructure Ontario to explore options to preserve both the project and the loan while reducing the government's exposure.

Negotiations with stakeholders continued through August 2014, and a conditional agreement to buy out the developer's residual interest was announced in September 2014. The loan was also converted from a construction loan to a long-term debenture on September 30, 2014. Total draws on the guarantee from February 2014 to January 2015 were $7.9 million.

Our audit noted that the lack of transparency around the policy objectives and intended benefits to be obtained in return for the significant risks assumed in providing the loan and guarantee created the perception of a bailout of a private-sector developer. We noted that it was still uncertain whether the benefits realized from this transaction will ultimately outweigh the risks and costs assumed.

Since our audit, the MaRS debenture and financing agreement was assigned to and fully paid out by the Ministry of Research and Innovation, thus making Infrastructure Ontario whole.

An amended and restated credit agreement was signed between MaRS Discovery District, MaRS Phase 2 Inc. and the Province of Ontario on March 30, 2015, to cover the existing debenture of $223.3 million (comprised of $217.5 million from Infrastructure Ontario and $5.8 million drawn on the existing term facility immediately prior to the closing date) and to provide a new term facility up to $155 million. This new term facility is to be used to draw upon until 2019 to support the project until the building has enough tenants and cash flow for the project to stabilize. The Ministry has set up a number of measures to oversee this amended agreement. They include monitoring construction costs, appointing an expert supervisory committee and appointing an independent member to the MaRS board of directors.

As of March 31, 2016, the outstanding balance of the total credit facility is $290 million. This loan is reported in the Province's Public Accounts.

Ontario Energy Board— Natural Gas Regulation

Follow-Up on VFM Section 3.07, *2014 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	4	1	3		
Recommendation 2	2	2			
Recommendation 3	2	1	1		
Recommendation 4	1		1		
Recommendation 5	1		1		
Recommendation 6	2		1	1	
Total	**12**	**4**	**7**	**1**	**0**
%	**100**	**33**	**58**	**9**	**0**

Background

The Ontario Energy Board (Board) is responsible for ensuring that natural gas market participants comply with the *Energy Consumer Protection Act, 2010* which pertains specifically to those selling to low-volume users, such as households. Under the *Ontario Energy Board Act, 1998* the Board's objectives include facilitating competition in the sale of gas to consumers and protecting the interests of consumers with respect to prices and the reliability and quality of gas services. In carrying out its mandate, the Board sets prices for natural gas and its delivery and storage. It also licenses and oversees natural gas market participants, including gas utilities and gas marketers.

In Ontario, residential consumers have the option of purchasing natural gas from either a gas utility or one of 12 gas marketers actively selling natural gas in Ontario. There are three utilities that own the pipes and equipment that deliver the natural gas to homes and businesses, plus two municipal utilities that also distribute natural gas. Each utility serves different areas of the province.

The Board regulates the rate that the three utilities charge their consumers, but not those that the gas marketers charge. The gas marketers operate as brokers, locating natural gas on the market to sell competitively. When consumers buy gas from marketers, they sign fixed-term contracts for periods of one to five years. Otherwise, they get their gas supply from their utility, which is the default supplier. For the year ended March 31, 2016, there

were 3.5 million natural gas customers in Ontario. Of these, over 3 million purchased their gas from one of the three utilities (these were the same numbers as we last reported for the year ended March 31, 2014).

The Board conducts its oversight through a quasi-judicial process that includes public participation. Panels of Board members hold proceedings and their decisions must uphold the broad public interest, including the protection of consumers, the financial integrity of the utilities, and other legislated goals, such as the safe operation of storage and energy conservation.

The Board uses a three-stage process in regulating natural gas rates. In the first stage, utilities must submit cost-of-service applications approximately every five years to establish the base rate to charge consumers. In the second stage, the Board reviews and adjusts gas rates annually between cost-of-service reviews, typically using a formula that considers inflation adjusted by the utilities' productivity figures. In the third stage, gas rates are adjusted four times a year to smooth out fluctuations in billing rates and to reflect current market prices for natural gas, as well as changes in transportation rates and inventory valuations.

Our 2014 audit found that the Board had adequate systems and processes in place to protect the interests of natural gas consumers and ensure that the natural gas sector provided energy at a reasonable cost. However, Board staff could more fully assess the cases utilities make when they apply to the Board for rate changes.

Some significant issues included the following:

- Gas utilities are not allowed to charge consumers more than the purchase cost of gas, but Board staff seldom obtained source documents to verify the information the utilities provided in rate change applications. We noted that in the preceding 10 years only one audit of gas cost adjustment accounts and accounting processes was done—in 2011—and on only one utility.

- Utilities applied different approaches to recover their Board-approved revenue requirements, but Board staff had not assessed the impact that these differences have on consumers.

- Although complaints against gas marketers decreased by 81% from 2009 to 2013, contract cancellation and renewal issues were still the sources of many complaints when consumers discovered they could pay lower prices with other gas providers. The Board could facilitate providing consumers with rate information from the various gas providers on its website to help them make more informed decisions before they entered into a contract.

In our *2014 Annual Report*, we recommended that the Board compare the different cost recovery approaches used by utilities and identify best practices in purchase, transport and storage of gas that could affect consumer rates; periodically select source documents from utilities for review to assess the reasonableness of the information on rate-change applications; and consider including on its public website information on the gas rates offered by various gas marketers.

We received commitment from the Board that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

The Board provided us with information in the spring and summer of 2016 on the current status of our recommendations. According to this information, one-third of the actions we recommended in our *2014 Annual Report* had been fully implemented. For example, since our last audit, the Board had audited three natural gas utilities, including the two that supply 99% of the gas consumed in Ontario. During these audits, Board staff examined contracts and source documents related to gas purchase details and gas price adjustment accounts. As

well, another 58% of actions we recommended were in the process of being implemented; for instance, the Board was in the early stage of comparing the cost recovery approaches used by the two largest utilities, although they will not fully submit their base rate application until December 2017 for implementation by January 2019. The Board is also working toward publishing gas marketer prices and their price comparisons on a Board-supervised website, which is expected to be completed by June 2017. There has been little or no progress on the remaining recommendation we made. At the time of our follow-up, the Ministry of Energy had not tabled the Agency's annual report within the required legislative timeline.

The status of actions taken on each of our recommendations is described in the following sections.

Regulating Gas Utilities

Recommendation 1

To ensure that its regulatory decisions protect the interests of natural gas consumers and the public interest, and that the natural gas sector provides gas to consumers at a reasonable cost, the Ontario Energy Board should:

- *compare the different cost recovery approaches applied by the regulated utilities;*
  Status: In the process of being implemented by January 2019.

Details

Our 2014 audit noted that the two gas utilities that supply over 99% of the gas consumed in Ontario applied different approaches to recover their Board-approved revenue requirement. However, Board staff had not assessed the impact that these differences have on consumers.

During this follow-up, the Board was reviewing and updating the filing requirements for the next cost-of-service application process. The Board is also in the process of preparing a rate handbook to guide utilities, including natural gas utilities, on applications to the Board for rate approvals. The Board

expects to issue the updated filing requirements and the rate handbook in Fall 2016. These documents will enable utilities to provide information that the Board needs to compare the cost recovery approaches they apply. However, the next cost-of-service applications do not occur until December 2017, so the Board will not conduct any detailed comparison of the cost recovery approaches until the applications are made at that time.

- *compare information submitted by the utilities and identify best practices in purchase, transport and storage of gas that could have an impact on consumer rates;*
  Status: In the process of being implemented by July 2017.

Details

Our 2014 audit found that, in their review of cost-of-service applications, Board staff did not sufficiently evaluate and compare differences in the information and practices of the two utilities that could have had an impact on consumers' gas bills, or that would help identify best practices. These included, for example, the different ways the utilities purchased, transported and stored gas.

Since our last audit, Board staff conducted two stakeholder consultations—one in December 2015 and another in March 2016—to further discuss and review the utilities' gas supply plans. During this process, staff compared the utilities' information on purchase, transport and storage of gas, but was unable to identify any areas of best practices for the utilities to consider because of the tradeoffs in different approaches. According to the Board staff, the consultations did lead to a better understanding of the risk and cost tradeoffs that the utilities considered when they developed their plans. After the first consultation, the two largest gas utilities prepared a side-by-side comparison of their respective gas supply plans.

In August 2016, Board staff issued a discussion paper on the existing approval and review processes for gas supply planning and recommended

the following changes to the processes for the Board to consider:

- Gas utilities should apply for pre-approval of their gas supply planning framework separate from rate applications.
- Gas utilities should submit the framework at the same time, and in the same format, to be reviewed jointly by the same Board panel.
- Separate from the gas supply planning framework, each gas utility should submit a gas supply memorandum annually that includes an evaluation of the performance of its gas supply plan over a six-year period—looking back three years as well as looking forward another three years. Similar to the preparation of the gas supply planning framework, gas utilities should use the same format and submit them at the same time. These requirements will enable the Board to compare the information simultaneously.

At the time of our follow-up, the Board was in the process of implementing the recommendations, with an expected completion date of July 2017.

- *implement any needed changes arising from its review of the quarterly gas rate adjustment process that it began in June 2014; and*
Status: In the process of being implemented by July 2017.

Details

Following our audit fieldwork, in June 2014, the Board began a two-phase review of the quarterly rate adjustment mechanism for natural gas utilities to address any similar situations where consumer prices could be impacted significantly, such as during the record cold in the winter of 2013/14. The review took place in two phases:

- The first phase included a review of the process covering the filing requirements and supporting evidence for the application, events that would trigger a substantive review, and the required timelines for review and comments. This phase also involved a review of the Board's policy on smoothing rate increases

for consumers and its protocols for communicating rate increases to consumers.

- The second phase included a review of the cost and risk trade-offs of the different utilities' gas supply planning approaches.

Based on the first phase of the review, which was completed in August 2014, the Board issued an Order (instruction), effective January 2015, that required gas utilities to calculate a preliminary estimate of the change in the commodity portion of residential consumers' bill one month before the normal quarterly rate adjustment mechanism filing date. Any anticipated decrease or increase of 25% or more on this portion of the bill would require advance notification by utilities to the Board and the customers who would be affected.

In October 2015, the Board initiated the second phase of the review and, in August 2016, Board staff proposed a number of recommendations for the Board to consider. As mentioned in the details under the second action of Recommendation 1, the Board was in the process of implementing the proposed recommendations, with expected completion by July 2017.

- *assess whether the settlement proposal represents an acceptable outcome from a public-interest perspective, and whether the accompanying explanation and rationale are adequate to support the settlement proposal.*
Status: Fully implemented.

Details

In our 2014 report, we noted that the percentage of a utility's costs that the utility was permitted to recover through customer billings was determined in a settlement process involving the utility and intervenors. Board hearings are held only on issues where agreement has not been reached. However, we noted that there were no Board staff submissions commenting on whether the settlement proposals represented an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale were adequate to support the settlement proposal.

In April 2014, the Board amended its Practice Direction on Settlement Conferences (Direction) to reflect the role of Board staff in representing the public interest by requiring that staff be active participants in settlement conferences and signatory to settlement proposals in some cases. The Direction now requires staff, when not a party to the settlement conference, to file a submission on whether any settlement proposal represents an acceptable outcome from a public interest perspective and whether the accompanying explanation and rationale is adequate to support the settlement proposal. During this follow-up, we reviewed all eight applications since April 2014, relating to natural gas for which there was a settlement conference and noted that the staff submission was included in each one and the submissions did not note any significant issues.

Additional Review Needed for Accuracy and Validity of Information Submitted to the Board

Recommendation 2

To ensure that information submitted to the Ontario Energy Board (Board) by the gas utilities that it regulates is accurate and valid and that consumers are being charged for only the actual costs incurred by utilities to purchase gas, Board staff should:

- *periodically select source documents from utilities for review, such as contracts, gas purchasing details and management reports, to assess the validity and reasonableness of utilities' application information; and*
- *periodically review price adjustment accounts and assess the appropriateness of items and entries included in these accounts.*
  Status: Fully implemented.

Details

Our 2014 review of the quarterly gas rate adjustment application process noted that utilities

provided different levels of support for their pricing requests and applied different approaches in arriving at the information they were required to submit. Also, Board staff seldom obtained source documents to determine whether the information in the applications was accurate and valid. As well, we noted that the two utilities that supplied over 99% of the gas consumed in Ontario had affiliated companies that also provided gas in other jurisdictions. Without sufficiently examining actual purchase records of these two utilities, the Board might not have taken sufficient care to protect Ontario consumers from the possibility that inappropriate charges were passed on to them.

In its 2016 response, the Board indicated that, during the 2014/15 and 2015/16 fiscal years, it had audited three natural gas utilities, including the two that supply 99% of the gas consumed in Ontario. To assess the validity and reasonableness of utilities' application information, Board staff examined contracts, gas purchasing details and management reports. They also reviewed and assessed the appropriateness of items and entries made to the price adjustment accounts.

Overall, the audits found that the utilities' natural gas purchase and recording processes, while very complex, appeared to appropriately capture the costs of natural gas, and charged these costs to customers in accordance with proper regulatory principles. However, the audit reports did note issues of potential non-compliance with regulatory filing requirements, inadequate documentation to support actions taken by the utilities and practices not consistent with the intent of Board decisions and orders. For instance, the Board identified that a utility used an incorrect methodology to calculate the forecast price used in its quarterly rate adjustment applications, which did not have a significant impact on gas charges to customers. For two of the largest utilities, the Board further commented that the utilities' internal audits had performed limited work on the gas cost adjustment account balances or the quarterly rate adjustment mechanism process for setting rates.

In October 2015, the Board performed a follow-up of a utility's audit completed in March 2015, to ensure that findings, including the issue noted above on the use of forecasting methodology, had been addressed. The Board was also planning to follow up on two other 2015 audits during the 2016/17 fiscal year. On an annual basis, Board staff prepares a risk-based audit assessment plan that is used to determine the timing and frequency of future audits.

Regulating Gas Marketers

Recommendation 3

To provide consumers with the information they need to make informed decisions in selecting a gas marketer and to protect consumers' interests, and to be in a position to assess consumer complaints regarding gas marketers, the Ontario Energy Board (Board) should:

- *consider including on its public website information on the gas rates offered by the various gas marketers for consumers to consult before entering into a contract; and*
Status: In the process of being implemented by June 2017.

Details

In our 2014 report, we found that although the Board had, since 2010, received information from various natural gas marketers' on their contract rates, it had not published these rates for the public to see. Consumers who had such information would be able to make more informed decisions before entering into contracts. We also noted that regulatory bodies in other jurisdictions provide data on their websites on the rates charged by their gas marketers.

In May 2015, the Board issued a research report to the Minister of Energy, which included 14 recommendations to enhance consumer protection, one of which was to post prices and price comparisons on a Board-supervised website to improve consumer understanding and provide consumers with

the information needed to make informed decisions about retail energy contracts. The report noted that other jurisdictions, including Texas, Pennsylvania, Ohio and New York, had websites where energy retailer prices were posted. The Board indicated that this initiative is expected to be completed by June 2017.

- *define the types of issues to be classified as consumer complaints for reporting purposes, so that the Board can compare the data on complaints it receives directly from consumers to the data on complaints that gas marketers report to the Board, in order to identify any anomalies and other areas of concern for further follow-up.*
Status: Fully implemented.

Details

Even though gas marketers in Ontario are required to submit to the Board consumer complaints the gas marketers receive and address each quarter, our 2014 audit found that Board staff did not review this complaint data for trends or compare it against data on complaints received directly by the Board, which would help identify anomalies for further investigation. We compared the two sources of data and found significant anomalies in a number of complaints received. Board staff indicated that the anomalies occurred because the Board does not define what constitutes a complaint that must be reported to it, and each gas marketer uses a different definition.

In December 2014, the Board issued a bulletin to all gas marketers and clarified the definition of "consumer complaints" and said: "all low-volume consumer contacts that raise an issue or concern with an aspect of the supplier's operations, regardless of the supplier's internal process for classifying these contacts (e.g., complaint, contract, retention call and inquiry) are to be included in the number of consumer complaints" for reporting purposes. In this follow-up, we noted that the number of complaints received directly by the Board has decreased by 58%, from 506 complaints in fiscal 2013/14 to

210 in 2015/16. The number of complaints reported by gas marketers to the Board almost tripled, from 924 in 2013/14 to 2,590 in 2015/16. According to Board staff, the significant increase in complaints reported by gas marketers can be attributed to the December 2014 bulletin that clarified and broadened the definition of complaints. We also noted that the number of low-volume customers who purchased gas from gas marketers had decreased by 160,300, or 40%, from 404,000 in March 2014 to about 242,700 in March 2016. While the definition has been clarified and broadened, the Board relies more on the complaints received directly from the consumers in its analysis.

Monitoring Compliance and Enforcement

Recommendation 4

To more effectively oversee the regulated gas utilities in the interest of consumers, and to ensure the validity and accuracy of information they are required to provide to the Ontario Energy Board (Board) to protect the interests of consumers, the Board should conduct more frequent inspections and audits of the regulated utilities that supply more than 99% of the gas consumed in Ontario, especially in areas that significantly impact consumer rates, such as price adjustment accounts, purchasing processes and capital expenditures.

Status: In the process of being implemented by December 2018.

Details

The difference between what a utility forecasts it will have to pay for gas and what it actually pays is tracked by what are known as price adjustment accounts. These accounts are critical because gas purchase costs, as well as contracts for transportation of gas, are adjusted through them. In our 2014 report, we found that over a 10-year period, the Board had conducted only one audit—in 2011—of a utility's purchase gas variance account, and no

other such reviews had been done for the other two regulated utilities.

During our follow-up, we found the Board had audited, during the 2014/15 and 2015/16 fiscal years, Ontario's three regulated natural gas utilities. The audits covered areas that significantly impact consumer rates, including price adjustment accounts and purchasing processes. However, we noted that these audits did not include a review of the capital expenditures. Although it is not an audit, the Board indicated that in the next cost of service application process it will assess variances between what the utilities planned for capital expenditures to what was actually completed, to help inform what is included into the rate base. For one of the audits completed in March 2015, the Board did a follow-up audit to ensure that findings from its previous audit had been addressed. The Board also plans to follow-up the audits of the other two utilities during the 2016/17 fiscal year. On an annual basis, Board staff prepares a risk-based audit assessment plan that is used to determine the timing and frequency of future audits. During this follow-up, we reviewed the 2016/17 plan and noted that in addition to the follow-up audits, the Board plans to review the internal processes of tracking, measuring, managing and analyzing the differences between the amount of gas purchased by each utility and the actual gas consumed by its customers (unaccounted for gas). These reviews are important to consumers because the cost of the unaccounted for gas is included in the gas distributor's base rate. The Board also plans to review the process of tracking and measuring of gas leakages for compliance with the regulation for greenhouse gas emission reporting that will come into effect on January 1, 2017.

Improvement Needed in Assessing Performance of Gas Utilities

Recommendation 5

To more effectively oversee the regulated gas utilities in the interest of consumers, the Ontario Energy

Board should establish additional gas-utility-specific performance measures needed to assess utility performance on an ongoing basis and to identify trends over time.

Status: In the process of being implemented by December 2018.

Details

In our 2014 report, we noted that the Board had only a few performance measures that focused on the quality of service that the gas utilities provide to their customers, and it had no performance measures for operational effectiveness, financial performance or public-policy responsiveness, as exist for the electricity sector.

At the time of our follow-up, we noted that one of the two major natural gas distributors had begun reporting on some additional performance metrics relating to operational effectiveness. The Board told us it intends to bring the natural gas sector in alignment with the Renewed Regulatory Framework for Electricity Distributors by introducing a performance-based approach, as well as measures against which performance is monitored. The Board also indicated that it intends to establish benchmarking requirements, asset management planning and customer engagement as part of utilities' filing requirements, as well as implement an initiative to broaden access to performance measurement information to all interested parties and consumers.

Monitoring the Board's Performance

Recommendation 6

To determine whether the Ontario Energy Board (Board) is achieving its mandated objectives, the Board should use available evaluation tools, including its Policy Evaluation Framework, and work with the Ministry of Energy to assess the effectiveness of its policies and initiatives in achieving desired outcomes and mandated objectives, including protection of consumer interests and facilitating competition in the sale of natural gas.

Status: In the process of being implemented by March 2019.

Details

In our 2014 audit, we noted that the Board had never used its Policy Evaluation Framework, which allows it to monitor and evaluate the effectiveness of its policies, for example, whether the Low-Income Energy Assistance Program has achieved its objectives. The *Ontario Energy Board Act, 1998* requires the Minister of Energy to table a report to the legislature every five years on how effective the Board has been in meeting its mandated objectives. However, no reviews of the Board's effectiveness had been conducted at the time of our last audit.

At the time of our follow-up, the Minister of Energy had still not requested a review of the Board's effectiveness. However, the Board had conducted a number of reviews and made the necessary changes to the policies and frameworks since our 2014 audit. Some of the reviews and changes are as follows:

- The Board completed a review of Part II of the *Energy Consumer Protection Act, 2010* (Act) and reported on its results in July 2015. The Board is in the process of making the necessary changes based on these results. The Act was introduced to ensure that low-volume (residential and small business) consumers have the information they need to make decisions about retail electricity and natural gas contracts, and that they have confidence that they are protected by fair business practices. While the review found that public support for the Act was high, it identified concerns, including that consumers had a hard time understanding their energy bills, so that the impact of energy choices was less clear to them and they had a harder time making accurate price comparisons. It also found that roughly one-third of current residential and non-residential contract holders who were surveyed were unaware that they had a retail

contract. The Board issued a set of recommendations to address these concerns.

- The Board's evaluation and assessment of the Low-Income Energy Assistance Program in 2014/15 concluded that a number of changes focusing on consumer interests were needed. For instance, the income measure used to determine eligibility for the program had not been updated since 1992 and needed to be reviewed and changed. Also, all adults in a household applying for assistance from the program had to attend an in-person interview to verify household income and personal information; this was viewed as onerous, and was changed so that only the account-holder was required to attend the interview. Based on the review, the changes were included as part of policy and code revisions in the fall of 2015.

- The Board plans to eventually apply the Renewed Regulatory Framework for Electricity, in an updated form, to natural gas utilities.

- The Board completed a review in 2016 of its cost-of-capital policy for all regulated utilities, including natural gas utilities. Based on this, Board staff determined that its methodology had worked as intended and had not resulted in excessive or anomalous volatility in the financial performance of utilities.

- In December 2014, the Board issued a Demand-Side Management Framework for Gas Utilities, developed to meet specific government objectives related to conservation. The utilities are required to develop demand-side management plans to cover six-year terms, coinciding with the time period in the Conservation First framework for electricity, developed by the Ontario Power Authority (now part of the Independent Electricity System Operator) and electricity distributors. The Board said this will encourage greater alignment, co-ordination and integration between the natural gas and electricity sectors' energy conservation efforts.

In addition, the Minister should table the Board's annual report within one month of receiving it, as required by law.
Status: Little or no progress.

Details

In our 2014 report, we noted that under the *Ontario Energy Board Act*, the Board is required to submit its annual report to the Minister of Energy within six months of the end of its fiscal year; then, within one month after receiving the annual report, the Minister of Energy must table the report before the Legislative Assembly. Once the tabling requirements are met, the Board is required to publish the annual report on its public website. We found that although the Board filed its 2011/12 and 2012/13 annual reports within the required time, the Minister did not table the reports within one month of receipt in the Legislative Assembly, as required by law, and therefore the reports were not posted on the Board's website until April 2014.

During our follow-up, we noted that both the 2013/14 and 2014/15 annual reports were posted on the Board's website as of March 31, 2016. However, neither report was tabled by the Minister of Energy within one month of receipt from the Board. In particular:

- the Board submitted its 2013/14 annual report to the Minister on September 29, 2014, but the Minister did not table it until April 7, 2015, which was more than six months after receipt; and

- the Board submitted its 2014/15 annual report to the Minister on October 22, 2015, which was three weeks past the six-month reporting requirement. The Minister however did not table the report for another three months, on January 28, 2016.

In Chapter 5 of our *2015 Annual Report* titled "Toward Better Accountability," we also noted that delays within Ministries mainly contributed to the delays in the tabling of Provincial agencies annual reports.

Ministry of Health and Long-Term Care

Palliative Care

Follow-Up on VFM Section 3.08, *2014 Annual Report*

RECOMMENDATION STATUS OVERVIEW					
	# of	**Status of Actions Recommended**			
	Actions Recommended	**Fully Implemented**	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	7		4	3	
Recommendation 2	1		1		
Recommendation 3	2		1	1	
Recommendation 4	1		1		
Recommendation 5	2		1	1	
Recommendation 6	2		1	1	
Recommendation 7	1			1	
Recommendation 8	1			1	
Recommendation 9	2		1	1	
Recommendation 10	1		1		
Recommendation 11	1		1		
Total	**21**	**0**	**12**	**9**	**0**
%	**100**	**0**	**57**	**43**	**0**

Background

The Ministry of Health and Long-Term Care (Ministry) has overall responsibility for health care in Ontario, including palliative care. Palliative care focuses on the relief of pain and other symptoms for patients with advanced illnesses, and is often referred to as "end-of-life" care for persons within their last few months of life.

The Ministry funds 14 Local Health Integration Networks (LHINs), which are responsible for planning, co-ordinating, funding and monitoring palliative-care services in their regions. The LHINs fund various organizations that provide palliative care, including Community Care Access Centres (which provide care in patients' homes), hospitals and hospices (which are home-like facilities that provide in-patient palliative care). However, in our 2014 audit we noted that the total amount of funding the Ministry provides for palliative-care services was not known because costs were not tracked

specifically enough to isolate the amount spent on palliative care (e.g., hospital-based costs, long-term care home-based costs and publicly funded drug costs).

We also noted in our 2014 audit that the need for palliative care was growing because the population was aging. Palliative-care services in Ontario developed in a patchwork fashion, often being initiated by individuals who had a passion for this area of care, wherever they were located in the province. As a result, although efforts had been made to create an integrated co-ordinated system to deliver palliative care in Ontario, no such system existed. The Ministry obtained only minimal information on the services that were available in each LHIN, their costs, and the relative patient need for these services. The Ministry also lacked performance measures to help determine its progress in meeting its goal of providing the "right care at the right time in the right place."

In our *2014 Annual Report*, we reported a number of significant issues, including the following:

- Ontario lacked a strategic policy framework for delivering palliative care. Although the 2011 Declaration of Partnership established a common vision for delivering palliative-care services among a number of stakeholders, significant work still needed to be done to meet most of the commitments outlined in it.
- There was little province-wide or LHIN-level information on the supply of or demand for palliative and end-of-life care. The Ministry did not have accurate information on the number of palliative-care beds in hospitals across the province, nor was the number of palliative patients served by each LHIN tracked consistently.
- The mix of services available had not been adequately assessed. Although most people would prefer to die at home, most died in hospital, likely because there were not sufficient services available in the community to meet their health-care needs. Caring for terminally ill patients in an acute-care hospital is esti-

mated to cost over 40% more than providing care in a hospital-based palliative-care unit, more than double the cost of providing care in a hospice bed, and over 10 times more than providing at-home care.

- Access to palliative-care services was not equitable. Patients who qualified for services in one area of the province may not have had access to similar services in another area.
- Overall, hospices had a 20% vacancy rate and thus had the potential to serve more patients than they were. Meanwhile, the Ministry funded vacant beds in hospices.
- There was a need for additional physician communication with patients about their end-of-life prognosis and the availability of palliative care.
- Ontario's publicly funded palliative-care services were mainly used by cancer patients, even though as many people died each year from advanced chronic illnesses that would also benefit from palliative care, including heart disease, stroke and chronic obstructive pulmonary disease.

We made 11 recommendations with 21 action items for improvement and received commitments from the Ministry that it would take steps to address our concerns.

Status of Actions Taken on Recommendations

The Ministry provided us with information in the spring and summer of 2016 on the status of the recommendations we made in our *2014 Annual Report*. According to this information, we have determined that although the Ministry is in the process of implementing almost 60% of our recommendations, it has made little or no progress on approximately 40% of our recommendations and none have been fully implemented. The Ministry has indicated that many of the recommendations

are in the planning phase, with action to be taken within the next two to three years. For example, the Ministry is in the process of creating an overall palliative-care strategy and policy framework and took a significant step forward by establishing the Ontario Palliative Care Network (Network) in March 2016 to act as its principal adviser for the quality of palliative care in Ontario. The Network will be accountable for quality improvement initiatives, provide system level co-ordination, and support regional implementation of the strategy. The Ministry plans to address many of the recommendations through the Network as it begins to roll out the provincial strategy in 2016/17, including:

- implementing a co-ordinated system that will support more integrated delivery of palliative care through the development of regional palliative-care networks and strengthening partnerships between the different service providers; and
- assessing physician payments for palliative care to ensure that patients' needs are best met cost-effectively.

The status of each of our recommendations is as follows.

Strategic Policy Framework Not in Place for Palliative-Care Delivery System

Recommendation 1

The Ministry of Health and Long-Term Care, in conjunction with the Local Health Integration Networks, should create an overall policy framework on the provision of palliative-care services in Ontario.
Status: In the process of being implemented by June 2017.

Details

In November 2014, the Ministry of Health and Long-Term Care (Ministry) made a commitment to develop a comprehensive strategy for palliative and end-of-life care. The Ministry hosted 16 consultation sessions across the province from July 2015 to January 2016, with more than 300 stakeholders, including patients, families, physicians, health system leaders and experts in the field, to facilitate discussions about palliative and end-of-life care, including the aging population, system needs and challenges, and available options. As a result, the Palliative and End-Of-Life Care Provincial Roundtable Report was released in March 2016. The report outlined the first steps for strengthening the palliative and end-of-life care system and it summarized key themes, such as expanding equitable access and integration; strengthening service capacity; improving caregiver supports; enhancing public education and awareness; and establishing oversight and accountability.

The Ministry advised us that the palliative and end-of-life care strategy will build upon three key sources of information: the roundtable report, our 2014 audit report, and the 2011 Declaration of Partnership and Commitment to Action (a collaborative effort by more than 80 partners to identify key components of quality palliative and end-of-life care and establish a common vision for the delivery of those services in Ontario).

To co-ordinate activities on the strategy, in March 2016, the Ministry provided funding to Cancer Care Ontario to establish the Ontario Palliative Care Network (Network). The Network is made up of partner organizations, including the Local Health Integration Networks (LHINs), Cancer Care Ontario, Health Quality Ontario and community groups, such as the Quality Hospice Palliative Care Coalition of Ontario, long-term-care homes and not-for-profit organizations. The Network will also act as the principal adviser to the Ministry for the quality of palliative care; be accountable for quality improvement initiatives, data and performance measurement, and system level co-ordination; and support regional implementation of palliative care in Ontario.

While this strategy is under development, some first steps have been made to strengthen palliative and end-of-life care in Ontario. Specifically, as outlined in Ontario's 2016 budget, an additional

$75 million has been committed over the next three years to improve community-based hospice and palliative-care services by supporting up to 20 new hospices and increasing the funding for existing facilities. To date, funding has been provided for 31 new hospice beds, and base funding for hospices has been increased by $3 million for eight of the LHINs. The additional funding announced is also to increase supports for caregivers to help families and loved ones support palliative patients at home and in the community, and to promote advance care planning so families and health-care providers understand patients' wishes for end-of-life care.

This framework should include:

- *the determination of available palliative-care resources and the total cost of currently providing palliative-care services;*
  Status: Little or no progress.

Details

At the time of our follow-up, the Ministry still did not have information on the total cost of providing palliative care in Ontario due to administrative data limitations, nor did it have information on the available palliative-care resources in the province. The Ministry has received information on the total cost of providing health care in a patient's last year of life, which includes all health-care costs, including palliative care, for the various health-service providers, such as hospitals and long-term-care homes. The information indicated that for Ontarians deemed to be palliative, who subsequently died during the 2014/15 fiscal year, the overall cost of providing health care during their last year of life was close to $4 billion.

- *an analysis of the cost of providing palliative care through different service providers (for example, hospital versus hospice versus home care);*
  Status: Little or no progress.

Details

The Ministry has not conducted an analysis of the cost of providing palliative care through different service providers. As mentioned above, it has done some analysis of the total costs of providing health care to Ontarians who were deemed to be palliative in their last year of life. This information is available by type of service provider, such as hospital or home care; however, all health-care costs are assigned to the service provider that was providing care at the time of a person's death, regardless of where the person received care during the year leading up to their death.

The Ministry indicated that there are some data limitations in determining cost information for palliative care provided by the different service providers. For example, only a small number of patients in the acute-care setting are identified as receiving palliative care. One of the reasons for this is because it is difficult to determine which services provided to a patient toward the end of life are for managing a chronic condition and which are for palliative care. Associated with this is the timing issue in identifying someone as being a palliative patient—that is, when it can be determined that the patient is not likely to recover. The Ministry plans to explore whether a more precise estimate of the cost of providing palliative care can be provided given these data limitations.

- *a projection of the best mix of services (for example, hospital versus hospice versus home care) to meet current and future patient needs;*
  Status: In the process of being implemented by March 2019.

Details

The Network carried out a needs assessment and a capacity planning exercise to gather data on existing and future demand for residential hospice services and provided recommendations to the Ministry in April 2016. The Network said it plans to expand on this work in the 2016/17 fiscal year by conducting a needs analysis of palliative-care services

delivered in other care settings, such as at hospitals, at long-term-care homes, through home care and in the broader community. The Ministry indicated that it will use the information obtained through the needs analysis process to support future planning on the appropriate mix of palliative-care services in Ontario. It plans to have this completed by March 2019.

- *an assessment of current and potential future funding structures; and*
  Status: Little or no progress.

Details

The Ministry advised us that, depending on what the Network's expanded capacity planning exercise learns about the palliative-care needs of the broader community (such as hospitals, long-term-care homes and at home), as a first step it plans to develop specific recommendations for alternative models of palliative care by March 2019. Following those recommendations, the Ministry will then explore funding options for the alternative models of palliative care.

- *a position on educational requirements for health-care providers who provide palliative care.*
  Status: In the process of being implemented by March 2018.

Details

According to the Ministry, the Network has started to review educational and training supports for health-care providers delivering palliative care, on which it will provide recommendations to the Ministry. The Network will then work with the Ministry to identify core educational requirements by March 2018.

The Ministry changed the Personal Support Worker (PSW) qualifications on January 1, 2016, with amendments under the *Long-Term Care Homes Act, 2007*, coming into effect. These amendments incorporate new common educational standards for PSWs, which include palliative care. Educational

requirements for other health-care providers, including nurses, have yet to be amended to incorporate palliative care.

In addition, a plan should be developed to implement the policy framework and ensure the ongoing provision of palliative-care services in accordance with the framework.
Status: In the process of being implemented by June 2017.

Details

The Ministry is in the preliminary stage of developing a comprehensive palliative and end-of-life care strategy which it expects to be completed by June 2017. The implementation plan is being developed as part of the strategy's development and the Network will be involved with the implementation of the strategy.

Lack of a Co-ordinated System

Recommendation 2

To reduce the overlap and duplication of efforts both within the Local Health Integration Networks and across the province, the Ministry should implement a co-ordinated system for the delivery of palliative care that enables patients to move easily among health-care providers and receive needed palliative-care services on a timely basis. This should include consideration of the cost-benefit of shorter-term information technology solutions (such as those currently used by some health-care providers to inform patient-care decisions and reduce unnecessary or duplicate tests) to increase the sharing of patient-related information, while longer-term initiatives are being pursued by eHealth Ontario.
Status: In the process of being implemented by March 2019.

Details

During the 2015/16 fiscal year, the Ministry of Health and Long-Term Care (Ministry) and the Ontario Palliative Care Network (Network) began to work with Local Health Integration Networks

(LHINs) and other palliative-care partners on the planning and development of 14 regional palliative-care networks across the province. These regional networks will provide advice to the LHINs to help in planning for the provision of palliative-care services and incorporating local priorities; and they will also provide advice on the development of palliative-care systems and performance measures, all in accordance with provincial standards. They will also strengthen partnerships between the different palliative-care service providers to ensure co-ordinated care for patients. Governance structures are expected to be in place for each of these regional networks by March 2017.

The Ministry is working with the Network to identify early best practices for models of care that will improve the integration and co-ordination of care for palliative patients. These early best practices will be identified by the end of the 2017/18 fiscal year and may include the use of technology.

While the Ministry continues to work toward implementing eHealth, which will enable a patient's medical history to be readily available to various health-service providers, it is considering establishing a palliative-care patient registry or technology solution in the short term. This registry, which is intended to support communication across different health-care settings and therefore promote seamless patient care transitions, is currently being reviewed by the Network and it intends to provide advice and an implementation plan to the Ministry by the end of the 2018/19 fiscal year.

Difficulties Accessing End-of-Life Care Services

Recommendation 3
To better ensure that patients have complete information about their prognosis and care options, including palliative care (which can increase quality of remaining life and reduce health-care costs), the Ministry, in conjunction with stakeholders such as the Clinical Council of the Hospice Palliative Care Provincial Steering Committee, should:

- *promote the adoption of a common process that enables physicians to more easily identify patients who might benefit from palliative care, such as by asking themselves: "Would you be surprised if this patient died within one year?"; and*
Status: Little or no progress.

Details
The Ministry of Health and Long-Term Care continues to support the implementation of the INTEGRATE project, which was in place at the time of our audit. The project aims to identify patients with various diagnoses who would benefit early on from a palliative approach. It does this by asking the question "would you be surprised if your patient were to die in the next six to 12 months." INTEGRATE is a three-year pilot project in four regions of the province that began in 2014 and is being implemented by Cancer Care Ontario and funded by the Canadian Partnership Against Cancer.

The Network will wait to review the results of the INTEGRATE project before determining what best practices can be shared once 14 regional palliative-care networks are fully implemented (one in each LHIN).

The Network is also researching national and international tools used to support the identification of palliative care needs. Once completed, the Network's Clinical Advisory Council will review the tools and make recommendations to the Ministry on which tools should be shared province-wide.

- *put processes in place, such as through education, to ensure that physicians are sufficiently knowledgeable about the palliative approach to care and are comfortable having end-of-life conversations with their patients, including discussing a terminal diagnosis and care options with patients who are dying.*
Status: In the process of being implemented by March 2018.

Details

Physicians and other service providers participating in the INTEGRATE pilot project from the four regions have completed the Learning Essentials Approaches to Palliative and End-of-Life Care (LEAP) training, which is primary-level palliative-care education, and includes such topics as Being Aware (awareness of patients that are near the end of life), Decision-Making and Essential Conversations.

The project provides educational resources to health-care providers to assist them in earlier identifying patients who would benefit from a palliative approach and then link them with care providers in the community.

As mentioned above, the Network will be reviewing the lessons learned from the INTEGRATE project to see what best practices can be shared through the regional palliative-care networks across the province, once regional networks are fully implemented. In addition, the Network's Clinical Advisory Council will recommend provincial direction for palliative-care education, which will focus on an integrated approach to palliative care. By March 2018, the Network plans to build health-care providers' skills by identifying best practices and educational offerings to support physicians in initiating a palliative approach to care, including earlier identification of palliative-care needs and to routinely engage in conversations about care planning and goals of care.

Eligibility Requirements Vary among Service Providers

Recommendation 4

To better ensure that patients requiring palliative care, including end-of-life care, have similar access to similar services across the province, the Ministry, in conjunction with stakeholders including the Hospice Palliative Care Provincial Steering Committee, should ensure that standardized patient eligibility practices for similar palliative-care services are developed and implemented.

Status: In the process of being implemented by March 2018.

Details

As part of *Patients First: A Roadmap to Strengthen Home and Community Care*, which was announced in May 2015, the Ministry of Health and Long-Term Care (Ministry) is developing a Levels of Care Framework to ensure there are common standards for assessing patients, determining eligibility and providing service, and that service allocation is consistent across the province.

To assist with the process, a Levels of Care Expert Panel was formed in August 2016 to provide advice and recommendations to the Ministry for a Levels of Care framework. The Ministry told us that, in 2017, it plans to use these recommendations to develop clear definitions of how much and what kind of support Ontarians can expect, based on their needs as determined by evaluation on such things as cognition and mental health, level of difficulty with daily activities, and behavioural issues. Standardized protocols would be applied based on the results, in order to provide consistent care.

The Levels of Care Framework will be developed in 2018. In order to achieve this, the Ministry has held consultation workshops with patients, caregivers, health-service providers, and sector stakeholders, and has entered into an agreement with the University of Waterloo to develop the technical aspects of the framework and conduct further research to support it. It is also working with Health Quality Ontario to develop clinical guidelines for delivering palliative care, the first of which for wound care is planned to be released in 2017.

Better Access to Physicians Needed

Recommendation 5

In order to provide patients with the care they need in the community, and help prevent unnecessary and more expensive hospital-based care, the Ministry, in conjunction with the LHINs, should consider options

for promoting the provision of palliative care by family physicians, such as the creation of additional palliative-care teams to support family physicians who deliver home-based palliative care.
Status: In the process of being implemented by March 2018.

Details

The Ministry of Health and Long-Term Care (Ministry) informed us of resources available to support family physicians delivering palliative care. For example, Cancer Care Ontario's website features a palliative-care toolkit for health-care providers, which includes resources to allow them to earlier identify when palliative care is needed, to help them assess patients' needs and to guide and coordinate symptom management and general care. The Ministry will work with the Ontario Palliative Care Network (Network) to determine the best way to further promote the toolkit and other information available.

Starting in 2016, the Ministry plans to examine the creation of palliative-care teams. It intends to look at the outcome of the Network's capacity planning exercise on palliative-care needs in the broader community and based on this information it will identify best practices and models of team-based care to support front-line care providers, such as family physicians, in providing palliative-care services.

As well, the Ministry should assess physician payments for palliative care, within a palliative-care policy framework, to ensure that patients' needs are best met cost-effectively.
Status: Little or no progress.

Details

The Ministry continues to fund physicians through the Community Palliative Care On-Call Program that was in place at the time of our audit. This program provides payments to physician groups for being available 24 hours a day, 365 days a year to provide palliative-care services in patients' homes or in a community setting. There are currently

29 on-call group agreements in place, with annual funding of approximately $5 million.

In 2016/17, the Network plans to review current funding approaches in place for palliative care, including alternate funding arrangements for physicians. This review will build on the work of an expert panel struck by the former Hospice Palliative Care Provincial Steering Committee's Clinical Council. The Network is reaching out to stakeholders, including physicians, to better understand the gaps in alternate funding approaches. The information collected will be used to develop recommendations that will be provided to the Ministry by March 2017.

The Ministry then needs to consider the recommendations provided and undertake an assessment of physician payments. After the Ministry makes a decision on physician payments for palliative care, it will need to hold discussions with relevant stakeholders.

Better Access to Nurse Practitioners and Nurses Needed

Recommendation 6

The Ministry, in conjunction with the Local Health Integration Networks, should review the distribution of nurse practitioners to ensure that it reflects patient needs and provides patients with access to palliative care at home 24 hours a day, seven days a week.
Status: Little or no progress.

Details

In June 2016, the Ministry of Health and Long-Term Care's (Ministry) Health Workforce Planning and Regulatory Affairs Division provided the most recent data (from 2014) on the distribution of nurse practitioners across the LHINs. The Ministry told us it would work with the Ontario Palliative care Network (Network) (which will be doing capacity planning for the palliative-care needs of the broader community) and other relevant parties to determine equitable distribution of nurse practitioners (based on palliative needs across the Local Health

Integration Networks) and to identify additional data and modelling needed. The Ministry plans to complete a preliminary analysis in 2018/19. This work will also explore opportunities to improve 24-hour-a-day access to palliative care at home and in the community.

The Ministry should also work with other service providers to develop innovative alternatives for providing nursing care to patients at home.
Status: In the process of being implemented by March 2019.

Details

As part of *Patients First: A Roadmap to Strengthen Home and Community Care*, the *Home Care and Community Services Act* was amended, effective October 1, 2015, to provide better access to palliative care at home by increasing the maximum number of nursing visits per month to 150 from 120, as well as increasing the number of hours that can be provided by Community Care Access Centres (CCACs) by approximately 50 hours per month. It also allows CCACs to provide more than the maximum number of visits or hours to people in their last stage of life, or if the CCAC determines that extraordinary circumstances justify providing additional services.

In addition, the Ministry intends to explore innovative alternatives for providing nursing care at home or in the community by March 2019.

Patients Waiting in Hospital for Other Palliative-Care Services

Recommendation 7

The Ministry, in conjunction with the Local Health Integration Networks, should ensure that hospitals across the province consistently track and report the extent of time patients no longer requiring acute care must wait in this more expensive setting for care at home or in a hospice, and take action where necessary.
Status: Little or no progress.

Details

The Ontario Palliative Care Network (Network) said it intends to consider the inclusion of a performance indicator for alternate level of care (ALC) as part of its future performance indicator work. It will also collaborate with the 14 regional palliative-care networks when they are operational, to explore opportunities to improve tracking of ALC data for palliative patients through the Wait Times Information System (WTIS), operated by Cancer Care Ontario. The Ministry of Health and Long-Term Care plans to work with the Network and its Clinical Advisory Council to support a standard process for provincial reporting on ALC indicators for palliative care to monitor and reduce the number of patients waiting in hospital for non-acute palliative-care services by March 2019.

Hospice Beds Not Used Optimally

Recommendation 8

To better ensure that hospice beds are available to patients when needed, the Ministry should explore, such as by reviewing best practices in other jurisdictions, the feasibility of increasing the occupancy rate of hospice beds from the current minimum of 80%.
Status: Little or no progress.

Details

In the fall of 2015, the Ontario Palliative Care Network (Network) collected data and feedback from the Local Health Integration Networks (LHINs) and health-service providers on hospice capacity across the province. The information noted that the average occupancy rate for hospices in 2014/15 was 72%. The Ministry of Health and Long-Term Care (Ministry) plans to use this data in a review of occupancy requirements for hospices, which it will complete by March 2018. After that, the Ministry indicated that it will collaborate with partners to explore opportunities to increase hospice occupancy rates.

To increase the availability of hospice beds and palliative care services, the government's

2016 budget committed to $75 million in additional funding over the next three years for up to 20 new hospices and other initiatives, including increased funding for existing hospices, which will provide more access for palliative patients.

Public Education on End-of-Life Care Services and Planning Needs Improvement

Recommendation 9

To better ensure that patients receive health care consistent with their preferences and reduce unnecessary health-care costs, the Ministry, in conjunction with stakeholders, should ensure that:

- *public information is readily available on palliative-care services and how to access them, as well as on the importance of advance care planning for end-of-life care to communicate health-care preferences; and*
  Status: In the process of being implemented by March 2018.

Details

Since the time of our audit, the Ministry of Health and Long-Term Care (Ministry) examined the resources on palliative and end-of-life care available to the public. These resources included the Government of Ontario's website, which has a directory of health-care services—including hospices—available in communities; Hospice Palliative Care Ontario's (HPCO) website, which features information on palliative care resources available across the province, and tools and videos on advance-care planning; and HPCO's Speak Up Ontario website, which houses information about health care consent and advance care planning, including an online tool to guide members of the public through an advance care planning process.

In addition, the Ministry, the Ontario Palliative Care Network (Network) and HPCO plan to improve the information available and increase public awareness on palliative care and end-of-life

issues. For example, the Ministry and the Network are working with HPCO's Health Care Consent Advance Care Planning Community of Practice group that has created advance care planning materials with an emphasis on teaching advance care planning and health-care consent to health-care providers. The focus of this project, which is to be completed by March 2018, is to better prepare health-care providers to initiate conversations with their patients that encourage patients to express their health care wishes.

The Network and other stakeholders will also help disseminate expert advice and information on palliative care resources through the regional palliative care networks, when they become operational.

- *processes are in place to allow health-care providers timely access to patients' advance care plans to inform their discussions with patients or their substitute decision-makers.*
  Status: Little or no progress.

Details

The Ministry told us it plans to undertake further work with the Network and other partners, to explore options for addressing barriers that exist to health-care providers' access to patients' health-care preferences. More specifically, the Network, in collaboration with HPCO, said it will explore ways to enable access to patients' expressed wishes, values and beliefs that are outlined in their advance care plans to be easily shared across different care settings. The Ministry intends to come up with a plan on how to make improvements by March 2018, but it has not indicated when it will implement these improvements.

Lack of Measures to Monitor Performance

Recommendation 10

To better monitor the delivery of palliative-care services in Ontario, the Ministry, in conjunction with the

Hospice Palliative Care Provincial Steering Committee, should adopt standard palliative-care performance indicators and associated targeted performance levels for all key service providers to allow the comparison of their programs' efficiency and effectiveness, and to identify areas requiring improvement.
Status: In the process of being implemented by March 2019.

Details

Since the time of our audit, the Ontario Palliative Care Network (Network) has established a Data and Information Advisory Council to refine, prioritize and evaluate six palliative-care indicators that had been previously identified. A report given to the Ministry of Health and Long-Term Care (Ministry) in June 2016 proposed four of these performance indicators (one of the previous indicators relating to cancer was dropped and another relating to wait times was deemed to need more refinement).

Once the measures are approved by the Network's executive oversight group, associated performance targets are to be developed by the Network, with implementation starting in the 2018/19 fiscal year.

The Network and its partners will also develop a provincial scorecard for palliative care performance and will begin work on this during the 2016/17 fiscal year. The Network will also support the Local Health Integration Networks (LHINs) in using the provincial performance measures and associated targets for palliative care to align with provincial direction. The regional palliative-care networks, when operational, will be accountable for performance measurement to both their LHIN CEOs and the vice-presidents of the regional cancer programs.

2011 Vision for Palliative Care Lacks Linkage to Government Policy Framework

Recommendation 11

To better ensure that the key goals and commitments made in the 2011 document Advancing High Quality, High Value Palliative Care in Ontario: A Declaration of Partnership and Commitment to Action *(Declaration of Partnership) are being addressed on a timely basis, the Ministry, in conjunction with the Hospice Palliative Care Provincial Steering Committee, should link the Declaration of Partnership to a policy framework for approval by the government. Such action would provide the necessary direction and funding if needed to ensure that timelines for implementing the commitments are established, along with effective oversight to regularly monitor the implementation's progress and take action where necessary.*
Status: In the process of being implemented by June 2017.

Details

As mentioned previously, the Ministry of Health and Long-Term Care has committed to develop a comprehensive strategy for palliative and end-of-life care, which is being informed by the 2011 Declaration of Partnership, the 2014 audit, and the 2016 *Palliative and End-Of-Life Care Provincial Roundtable Report*, which outlined first steps toward strengthening the palliative and end-of-life care system.

The strategy is expected to be developed by June 2017, and the Ontario Palliative Care Network is responsible for co-ordinating activities on the strategy and will be involved with implementing the strategy.

Ministry of Citizenship and Immigration

Provincial Nominee Program

Follow-Up on VFM Section 3.09, *2014 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**	**No Longer Applicable**
Recommendation 1	4	1	1	1		1
Recommendation 2	5	5				
Recommendation 3	8	4	2	1	1	
Recommendation 4	4	3	1			
Recommendation 5	3	1				2
Recommendation 6	4	1	3			
Recommendation 7	4	3			1	
Recommendation 8	3	2	1			
Recommendation 9	2	1	1			
Recommendation 10	6	5	1			
Recommendation 11	4	4				
Recommendation 12	5	3	2			
Recommendation 13	3	2		1		
Recommendation 14	3		3			
Total	**58**	**35**	**15**	**3**	**2**	**3**
%	**100**	**60**	**26**	**5**	**4**	**5**

Background

The Ontario Immigrant Nominee Program (Program), formerly known as the Provincial Nominee Program, delivered by the Ministry of Citizenship and Immigration (Ministry)—formerly the Ministry of Citizenship, Immigration and International

Trade—is the only immigration selection program administered by the Ontario government. Immigrants are nominated by the Program based on their potential economic contribution to the province.

Under the Program, the Province is allowed to select and recommend ("nominate") to the federal government foreign nationals and their accompanying family members for permanent residency in Canada. At the time of our audit, the Program had

three components: an employer-driven component, for businesses to fill permanent positions in professional, managerial or skilled-trades occupations; an Ontario graduate component, which allows international students graduating from Ontario universities with post-graduate degrees to qualify for nomination without a job offer; and an investment component, which lets investors permanently relocate staff (who may have foreign worker status) to Ontario.

From the Program's inception in 2007 to June 2016, Ontario nominated about 12,000 people (6,600 from 2007 to June 2014). As of December 31, 2015, 17,042 people—8,258 nominees and 8,784 family members—had become permanent residents (formerly known as "landed immigrants") through the Program. (In 2014, about 7,100 people became permanent residents—3,900 nominees and 3,200 family members.) Each year, the federal government determines nomination allocations for each of the provincial and territorial nominee programs. In 2016, Ontario's nomination allocation was 5,500 (5,200 in 2015).

Because Ontario is considered a very attractive province to immigrate to, the Program must have effective controls and processes in place to select qualified nominees and detect immigration fraud. A weak program can be targeted by unscrupulous potential immigrants and immigration representatives. Our audit found that the necessary controls and processes were not in place, and that significant issues regarding the Program needed to be addressed.

There was a significant risk that the Program might not always be nominating qualified people who could be of economic benefit to Ontario. In some cases, it could be difficult to distinguish jobs that were eligible and ineligible under the Program. Seven years after the Program had begun, it still lacked the necessary tools, including policies, procedures and training, to help Program staff make sound and consistent selection decisions. In addition, we found that Program staff had not been provided with clear guidelines on how to deal with immigration fraud.

In our *2014 Annual Report,* we noted the following significant issues:

- From 2007 to 2013, 20% of the 400 denied applicants were turned down because of misrepresentation. However, there was nothing stopping people who had misrepresented themselves or their clients from reapplying or representing other clients. The Program did not have a protocol in place to ban applicants or their representatives who had submitted fraudulent applications.

- The Program did not follow up on questionable files that were approved but flagged for follow-up. About 260 files were flagged between October 2011 and November 2013, but only 8% had been followed up on at the time of our audit. The Ministry did not review the majority of the 260 files before 71% of these nominees became permanent residents.

- The Ministry delayed formally reporting information relating to potential abuse of the Program to the federal government and proper law enforcement agencies and did not provide vital personal information to them, thereby potentially delaying corrective action against individuals who might be abusing the Program. As well, the Program did not report its concerns about certain immigration representatives (such as immigration lawyers and immigration consultants) to their respective regulatory bodies.

- Program management did not share program integrity concerns with internal staff in order to enhance their due-diligence processes.

- The Program is required to select nominees who can contribute economic benefits to Ontario, but the Program allowed the nomination of people with no job offers. Two-thirds of the nominees in 2013 were international students with a post-graduate degree but no job offer. The Ministry had not evaluated whether these nominees became employed

and were making an economic contribution to Ontario.

- Staff turnover in the Program had been high, with 31 staff leaving the Program and 59 staff starting between January 2012 and June 2014. As of March 31, 2014, there were 45 staff working in the Program.
- Even though the Ministry says publicly that applications are processed on a first-come, first-served basis, certain applications were given priority and processed at least three times faster than others. We noted that files submitted by a certain representative, who was a former Program employee, were given priority.
- Significant data integrity issues were noted with the computerized case management system, and there were weak internal controls over nomination certificates.

Some of our recommendations included that the Ministry file formal complaints with the RCMP and any applicable regulatory bodies as soon as it has evidence of potential immigration fraud; implement the necessary steps to allow banning of applicants and representatives who have misrepresented themselves or clients; establish limits for the proportion of nominees without job offers who can be accepted; scrutinize applicants applying for jobs in classifications where they could be misrepresenting their work experience; enhance Program staff training, including on ethical matters and management expectations; require that Program staff obtain security clearance; and develop a process to track representatives and applicants of concern, and to alert processing staff of these concerns.

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

Status of Actions Taken on Recommendations

The Ministry provided us with information in the spring and summer of 2016 on the current status of the recommendations we made in our *2014 Annual Report*. According to this information, the Ministry had fully implemented 60% of our recommendations in the areas of putting in place and periodically updating an operating manual; conducting a review of applications flagged for follow-up and submitted by questionable representatives; and maintaining an accurate record of when nominations issued and withdrawn are communicated to the federal government. The Ministry was in the process of implementing a further 26% of our recommendations, mainly in the areas of defining when site visits or in-person interviews are warranted and tracking the use of these techniques; and filing formal complaints with law enforcement agencies and regulatory bodies when there is evidence of potential immigration fraud. Overall, the Ministry either had fully implemented or was in the process of implementing about 86% of our recommended actions.

However, the Ministry had made little or no progress in the following areas: defining acceptable forms of local recruitment effort; requiring applicants applying under the PhD component to meet an asset requirement; and obtaining nominee information, such as driver's licence numbers to help follow up on nominee outcomes.

The status of each of our recommendations is as follows.

Impact of the Current Program Design

Recommendation 1

To ensure that the Provincial Nominee Program is achieving its expected outcome of nominating candidates who will be of benefit to the economic

development of Ontario and have a strong likelihood of becoming economically established in Ontario, the Ministry of Citizenship, Immigration and International Trade should:

● *establish limits for the proportion of nominees who can be accepted without job offers;*
Status: No longer applicable. We found that the Ministry's action and decision are appropriate and addressed our initial audit concerns.

Details

We noted in our 2014 audit that the Ministry had not adequately assessed whether nominees without a job offer were eventually employed after admission to Ontario—despite the fact that in 2013, the Program had accepted two-thirds of its nominees under categories not requiring a job offer. In July 2015, the Ministry commissioned a marketing research company to conduct an outcomes study on nominees without a job offer. The study found that 89% of these nominees who became permanent residents in 2012 were employed within a year of becoming permanent residents. In comparison, a lower percentage—about 50%—of all immigrants who became permanent residents that year were employed within a year of becoming permanent residents. Given these results, at the time of this follow-up, the Ministry indicated that it will continue to monitor the component involving nominees without a job offer and that it will consider establishing limits for how many of these nominees can be accepted in the future.

● *better scrutinize applicants applying for jobs classified as National Occupational Classification (NOC) B for misrepresenting work experience, and job offers that are in fact in lower-skilled categories;*
Status: Fully implemented.

Details

For nominees who have a job offer, the Program accepts only those whose jobs fall into National Occupational Classification (NOC) 0, A or B.

Between 2007 and 2013, 58% of nominees with a job offer were in NOC B occupations, which require a college education or apprenticeship training. In our 2014 audit, we found that distinguishing a NOC B position from one in a lower-skilled category (NOC C or D), which is ineligible for nomination, was often difficult because job descriptions can contain similar duties. Of specific concern was that most applicants with a job offer who had been found to have misrepresented themselves had applied to the Program under a NOC B position.

In February 2015, the Ministry developed an assessment tool to support processing consistency, which included an assessment of the NOC categorization. Program staff began using the assessment tool in June 2015. As a part of this tool, the Ministry requires Program staff to interview employers in all cases when it expects to proceed with nomination. The Program's operating manual also instructs the Program's investigator analysts to ensure that nominee applicants' job duties match those of a NOC 0, A, or B position and are specific to the employers' business. When applications contain job duties that appear to reflect lower-than-required skill levels, Program staff are required to deny those applications.

● *obtain labour force data by region and occupation, and utilize labour market information from the Ministry of Training, Colleges and Universities regarding occupations with better prospects for employment to prioritize positions for approval;*
Status: In the process of being implemented by September 2017.

Details

In our 2014 audit, we found 115 nominations between 2009 and 2015 for 30 occupations that the then Ministry of Training, Colleges and Universities (MTCU; now the Ministry of Advanced Education and Skills Development) had deemed to have below-average prospects for employment extending into 2013. In 2014, the Ministry obtained MTCU's

Ontario Job Futures publication, which provides information on the current trends and future outlook for about 200 occupations common to Ontario, giving the Ministry more up-to-date information on jobs with better prospects for employment. The Ministry also informed us that it reviews immigration and labour force data from Statistics Canada on a quarterly basis. As well, in 2012, the Ministry began purchasing labour market forecasts of supply and demand for over 500 occupations in five economic regions in Ontario over the next 10 years. But at the time of this follow-up, despite having collected these data resources, the Ministry was not using them to prioritize positions for approval. The Ministry continued to process all positions within the three acceptable NOC codes on a first-come, first-served basis.

The Ministry informed us that it had consulted with selected employers in the 2014/15 fiscal year to identify and validate labour market needs across the province. In May 2015, deputy ministers from the Ministry and MTCU met to discuss building an evidence base on labour market information for immigration policy and planning. At the time of this follow-up, the Ministry indicated that it will continue working with other ministries to develop labour market data.

- *define acceptable forms of local recruitment effort, and require employers hiring international students to prove attempts to recruit Canadian citizens or permanent residents located in Ontario.*
  Status: Little or no progress.

Details

The Ministry informed us that it had included guidelines regarding local recruitment efforts in its 2015 operating manual and in a December 2015 operational bulletin to staff. But at the time of this follow-up, the manual still did not define what forms of local recruitment effort are considered acceptable. The operating manual requires staff to consider, among other things, where job advertise-

ments were posted and if they were "published for a period that would have allowed interested candidates sufficient time to learn of the job opportunity and submit an application." The Ministry did not define what constitutes "sufficient time" and did not have expected timelines on when it might do so. We noted in our 2014 audit that the federal government had more specific requirements for its temporary foreign workers in higher-skilled positions, requiring employers to advertise jobs for a minimum of four weeks on the national online Job Bank and via two other specified methods, such as print media.

The Ministry noted that the intent of the international-student-with-job-offer component is to facilitate the retention of international students who will be of benefit to Ontario's economic development. Therefore, the Ministry still does not require employers to demonstrate any local recruitment efforts for nominees from this component. The Ministry indicated, however, that it would consider doing so in the future.

Processing Environment

Recommendation 2

To ensure that the Provincial Nominee Program operates with the necessary resources and tools in a strong ethical environment, the Ministry of Citizenship, Immigration and International Trade should:

- *assess its staffing needs and review the appropriateness of the current staffing model;*
  Status: Fully implemented.

Details

Following our 2014 audit, the Ministry eliminated the seasonal staffing model (full-time employees on annually recurring fixed-term contracts, who work 10 months a year) in November 2015 and moved to a permanent full-time staffing model. The Ministry informed us that the first round of job offers was made in May 2016, and that it expects all positions to be permanently staffed by August 31, 2016.

● *implement an operating manual and update it periodically with input from program staff;*
Status: Fully implemented.

Details

Although the Program has existed since 2007, the first operating manual was not developed until 2011, and that manual was never implemented (i.e., made available to processing staff). In 2014, during our audit, the Ministry began developing another operating manual. This manual was implemented in June 2014, and updated in January 2015 and again in April 2016. The Ministry indicated to us that the manual will be updated annually to reflect new and revised operating policies and procedures, and that feedback from processing staff will be used when considering content revision.

● *enhance the training plan for all program staff, considering their training needs, including training on ethical matters and management expectations;*
Status: Fully implemented.

Details

Before the start of our 2014 audit, no program-specific staff training had existed. In April 2014, during our audit, two ministry staff members with training expertise delivered a one-week training course to processing staff that covered Program-specific topics, but this course was designed and delivered without input from processing staff. As a result, some topic areas of concern, such as how to evaluate local recruitment efforts, were left out of the training material.

In March 2015, the Ministry delivered a 10-day training program to various groups of Program staff, with content changing depending on their job requirements. Program staff and staff from legal services facilitated this training. The Ministry provided further training to Program staff in July 2016, which covered ethics and conflict of interest. It also indicated that it will review and restructure staff training to reflect ethical matters in preparation

for proclamation of the *Ontario Immigration Act*, expected by March 31, 2018.

● *require that program staff obtain security clearance;*
Status: Fully implemented.

Details

Government policy states that security clearance checks should be conducted for staff who have access to sensitive information; however, at the time of our 2014 audit, Program staff were not required to undergo security checks even though they handle sensitive information relating to potential immigrants.

In December 2014, the Ministry began completing security clearances. At the time of this follow-up, the Ministry informed us that all staff have the required clearance to work with sensitive information and that the Ministry had begun requiring new staff to obtain a security clearance as a condition of employment.

● *strengthen procedures that support the maintenance of an ethical environment within the Program and that respect the provisions in the P*ublic Service of Ontario Act, 2006 *for preventing conflicts of interest and disclosing wrongdoing.*
Status: Fully implemented.

Details

During our 2014 audit, we surveyed Program staff to gauge their experiences and perceptions of their workplace's ethical environment. We found that 39% of staff indicated that they had not been provided adequate training to know what to do if a co-worker or direct report approaches them with an ethical dilemma or conflict-of-interest situation. As well, about 46% did not know or were unsure to whom they should report incidents of ethical misconduct or suspected fraud involving Program staff.

At the time of this follow-up, the Ministry's operating manual included an appendix on conflict of interest, outlining what a conflict of interest is

and quoting from the *Public Service of Ontario Act, 2006*, as well as providing information on how and to whom staff should declare a conflict or report wrongdoing. Conflict of interest was also covered in the Ministry's March 2015 training for Program staff, and the Ministry informed us that at that time, all staff were required to complete an e-training course on conflicts of interest. The Ministry indicated that it intends to conduct the e-training annually and at the point of recruitment for new employees.

Application Assessment and Processing

Recommendation 3

To ensure that only qualified individuals are nominated and to detect misrepresentation, the Ministry of Citizenship, Immigration and International Trade should:

- *define when site visits or in-person interviews are warranted, and track the use of these techniques;*
  Status: In the process of being implemented by April 2017.

Details

In our 2014 audit, we found that the Ministry did not define when site visits or in-person interviews were needed. At the time of this follow-up, the Program's operating manual provided examples of when processing staff should refer files suspected of misrepresentation to the Program's integrity unit for further work, which could include site visits or in-person interviews. However, the integrity unit still has the discretion to decide whether a site visit or an in-person interview is needed. In August 2016, the Ministry developed draft guidelines that define situations when a site visit or an in-person interview is required. The Ministry informed us that it will be including these guidelines in the next operating manual update, expected to be made by April 2017.

At the time of this follow-up, the Ministry was tracking the use of site visits and in-person interviews. The Ministry also indicated that it intends to begin conducting site visits proactively rather than waiting for Program staff to identify high-risk applications after the *Ontario Immigration Act* is proclaimed (expected by March 31, 2018).

- *require that nominee applicants submit clear photographs;*
  Status: Fully implemented.

Details

In June 2015, the Ministry updated its application guides to include a requirement for applicants to submit original and clear photographs with their application. These application guides specify that any photographs that are not clear or are of low quality will not be accepted.

- *verify applicants' history of applying to the Program;*
  Status: Fully implemented.

Details

During our 2014 audit, we could not find any evidence indicating that processing staff checked whether an applicant had previously applied to the Program and been denied. At the time of this follow-up, the Program's operating manual included a step instructing processing staff to check whether an applicant had previously applied and been denied for misrepresentation. The Ministry informed us that it has begun requiring Program staff to document the results of this check in an assessment tool used to aid decision-making on applications from potential nominees.

- *only permit translated documents from persons independent from the applicants or their representatives;*
  Status: Fully implemented.

Details

During our 2014 audit, the Ministry required that any application documents not in English or French

be translated and that the translator declare before a person taking an affidavit that he or she has made a true and correct translation. However, there were no requirements that the translator be independent from the applicant or the applicant's representative. Following our audit, the Ministry updated its application guides to state that translations completed by the applicant, the applicant's representative, or other individuals with personal ties to the applicant are not acceptable.

- *assign nominee applications from the same employer to the same processing staff;*
  Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

Details

At the time of this follow-up, the Ministry informed us that it cannot always assign nominee applications from the same employer to the same processing staff as a result of staff turnover and workload management.

- *clarify for staff what constitutes sufficient evidence to confirm that eligibility requirements have been met, and monitor that staff apply the rules consistently;*
  Status: In the process of being implemented by September 2017.

Details

In our 2014 audit, we heard from processing staff that they were unclear about how to determine whether employers had made sufficient local recruitment efforts. The operating manual in place during this follow-up still did not specify what is considered sufficient evidence.

The Ministry informed us that the Program's integrity unit began conducting regular quality assurance exercises in March 2016 to monitor whether eligibility requirements were being assessed consistently. However, given that requirements for local recruitment efforts are still not clearly defined, we believe there is more work to be done.

- *define the circumstances under which special consideration can be given and track how frequently it is given;*
  Status: Fully implemented.

Details

In our 2014 audit, we noted that the program manager had discretion to approve files that had not fully met eligibility criteria through a special consideration process. None of the Program's policies or guidelines discussed when special consideration could be given, but we were informed that this discretion can be used, for example, when a job offer's salary rate deviates slightly from the prevailing wage. At the time of this follow-up, the Ministry informed us that it had removed the discretion to give special consideration to applications in July 2014, following our audit.

- *require all applicants without job offers to meet asset-requirement conditions.*
  Status: Little or no progress.

Details

In our 2014 audit, we found that of the two Program components involving individuals without a job offer, only one had to meet asset-requirement conditions. Those with a master's degree had to prove that they had sufficient assets to afford to live in Ontario while transitioning to gainful employment, but there was no similar requirement for those with a PhD. A Ministry-commissioned outcomes study released in 2015 found that a high number of nominees who held a master's degree or a PhD had been able to find jobs. At the time of this follow-up, the Ministry indicated that it will consider requiring applicants applying under the PhD component to meet the asset requirement in a program redesign expected to be complete by April 2017.

Recommendation 4

To ensure that processing staff appropriately scrutinize applications represented by potentially unscrupulous representatives and to deter unscrupulous

nominee applicants from taking advantage of the Provincial Nominee Program, the Ministry of Citizenship, Immigration and International Trade should:

- *develop a process to track representatives and applicants of concern, and to alert processing staff;*
  Status: Fully implemented.

Details

During our 2014 audit, we found that the Ministry had a list of representatives who were of concern for various reasons, including past misrepresentation. However, many staff members either were not aware of the list or did not use it because it was not official. In April 2015, the Ministry updated its computerized case management system to allow representatives, employers, and applicants of concern to be flagged by processing staff for enhanced vigilance. As well, in April 2016, the Ministry issued an operational bulletin to staff indicating that program integrity staff will be maintaining and updating a list of employers and representatives of concern based on their investigations, and that processing staff are to use this list to flag new applications involving a listed employer or representative. Processing staff are to refer flagged files to the Program's integrity unit for further action.

- *define situations where the banning of representatives and applicants is warranted, and implement necessary steps to allow banning;*
  Status: In the process of being implemented by March 2018.

Details

In November 2014, the then Minister of Citizenship, Immigration and International Trade introduced a bill titled the *Ontario Immigration Act* (Act) in the Ontario Legislature, which will give the Ministry legal authority to ban individuals from making an application or providing services to an applicant. The Act received Royal Assent in May 2015. Once proclaimed, the Act will authorize the program director to ban individuals who have contravened the Act from applying or representing applicants for

two years. The Ministry anticipates that the Act will be proclaimed by March 31, 2018.

At the time of this follow-up, the Ministry had not yet defined situations when the banning of representatives and applicants is warranted.

- *conduct a review of the 234 nominee applications that were submitted by questionable representatives;*
  Fully implemented.

Details

Our 2014 audit found that the Ministry had denied applications from 30 representatives on the basis that they had submitted fraudulent information on behalf of their clients. But in the period from January 2011 to April 2014, these representatives had represented a total of 234 other nominee applicants that the Ministry had approved.

In April 2015, program integrity staff reviewed those 234 applications and noted that 20 of the files included a possible misrepresentation. Of these 20 files, 18 of the nominee applicants had already become permanent residents at the time of the Ministry's review; one file was subsequently found to not contain a misrepresentation; and one applicant's nomination certificate had been cancelled for other reasons before the review. The Ministry shared the results of this review with Immigration, Refugees and Citizenship Canada (formerly Citizenship and Immigration Canada) in June 2015.

- *conduct a review of the 262 applications that were flagged for follow-up.*
  Status: Fully implemented.

Details

Before November 2013, the Ministry allowed staff to approve a file but flag it for follow-up if staff felt that the file warranted further monitoring to ensure continued eligibility for nomination. Although this practice was discontinued in November 2013, our 2014 audit found that 262 files had been approved but flagged for follow-up between October 2011 and November 2013.

In March 2015, the Program's integrity unit reviewed those 262 applications and did not note any substantive issues. The Ministry shared the results of this review with Immigration, Refugees and Citizenship Canada in June 2015.

Recommendation 5

To ensure that application processing practices are fair and transparent and that nominees meet the province's economic needs, the Ministry of Citizenship, Immigration and International Trade should:

- *revisit the practice of maintaining a priority list of employers;*
  Status: Fully implemented.

Details

Although the Ministry stated publicly that applications are processed on a first-come, first-served basis, our 2014 audit noted that if an applicant was applying for a position with an employer on the Program's priority list, that applicant's file could be prioritized and processed three times faster than other files. In March 2015, the Ministry suspended employer prioritization pending a review of operating procedures and policies regarding priority processing and moved back to a first-come, first-served basis. At the time of this follow-up, the Ministry indicated that it is still processing applications primarily on a first-come, first-served basis (except where an applicant's permission to stay in Canada is about to expire), but is exploring the possibility of an expression-of-interest system that would allow it to prioritize applications based on labour market data.

- *seek input from those ministries that oversee sectors that the government considers strategic to determine which employers are to be included on the priority list;*
  Status: No longer applicable.

Details

This recommendation is no longer applicable because the Ministry suspended the practice of maintaining a priority list of employers in March 2015. During this follow-up, the Ministry informed us that, if it reintroduces a priority list of employers, it will work with other ministries to identify priority sectors and occupations.

- *inform the public if a priority list is to be maintained.*
  Status: No longer applicable.

Details

At the time of this follow-up, the Ministry did not maintain a priority list, so this recommendation is no longer applicable.

Recommendation 6

To ensure an efficient and effective application screening process, the Ministry of Citizenship, Immigration and International Trade should:

- *delay implementation of a single-tiered application assessment process until more robust training and guidance for staff is in place and being used effectively;*
  Status: Fully implemented.

Details

At the time of this follow-up, the Ministry informed us that it will not be implementing a single-tiered application assessment process, because such a model would not enable consistent and reliable decision-making across all application submissions.

- *have a system that will allow it to readily track how long it takes to process an application and an appeal, and follow up in a timely manner on those that are significantly overdue;*
  Status: In the process of being implemented by November 2016.

Details

At the time of this follow-up, the Ministry informed us that it had started to build a system prototype to track application processing times, but further testing and system changes were still required.

The Ministry anticipated that the system would be upgraded by November 2016.

- *refer investor applications to assessing ministries for review in a timely manner, establish a standard processing time for the assessing ministries to complete their review, and follow up when assessments are significantly overdue;*
Status: In the process of being implemented by March 2018.

Details

Although the Ministry closed the investor component in October 2015, at the time of this follow-up, the Ministry was still finalizing 30 investor applications from this closed component. The Ministry indicated that it is working with the other assessing ministries to complete the assessment of these files and anticipates that all but two files will be completed by December 2017. These remaining two files are currently on hold with an assessing ministry because construction of the related facilities on which the files depend has not been completed.

- *implement electronic filing for all program components as soon as possible.*
Status: In the process of being implemented by September 2017.

Details

During our 2014 audit, the Ministry informed us that it was planning to implement electronic filing (e-filing) to enable applicants to submit and track the status of their applications online. The Ministry informed us that it had undertaken an e-filing pilot in 2015 and that, as part of that process, it had experienced challenges that had not previously been considered. The Ministry also informed us that it was leveraging best practices from its counterparts in British Columbia based on their recent information technology developments. The Ministry expects to conduct the implementation of e-filing in phases, with the first phase implemented in August 2016 and full implementation expected by September 2017.

Recommendation 7

To ensure that all investment component applications are consistently assessed on how well they achieve program objectives, the Ministry of Citizenship, Immigration and International Trade should:

- *develop screening criteria to assess whether an investment project is of significant economic benefit to Ontario;*
Status: Fully implemented.

Details

The Ministry closed the investment component that was in effect during our 2014 audit in October 2015 and introduced two new business components (described later in this follow-up) in December 2015. The Ministry informed us that individuals applying under these two new components are required to sign performance agreements outlining criteria that must be met before the applicant or investor becomes eligible for nomination. Examples of such criteria include making a minimum financial investment and creating a minimum number of jobs for Canadians and permanent residents in Ontario.

- *arrange for cost-effective expertise to assist in assessing an investment's viability;*
Status: Fully implemented.

Details

The Ministry launched two new business components in December 2015. The first, called the corporate component, replaced the old investment component. The second, called the entrepreneur component, is a new component that requires applicants to submit at their own expense a third-party assessment of their net worth and legal source of funds. Both components also require applicants to submit a business case so that the Ministry can assess the project's viability. The Ministry informed us that it can choose to have internal Program staff assess these business cases, or engage a third party to assist with the assessment (at the applicant's expense). At the time of this follow-up, the Ministry

had not yet accepted any applications under these components, so there had not yet been a need to assess business cases.

- *consider increasing the investment threshold to discourage passive investing;*
  Status: Fully implemented.

Details

At the time of our 2014 audit, the Program's investment component had an investment threshold of $3 million. That component was closed in October 2015. The Program's new corporate investment component, launched in December 2015, requires a minimum $5 million investment. The Ministry hopes that this increased investment threshold will help to discourage passive investing (that is, investors who put money into a business but are not actively involved in managing it).

- *explore advertising Program criteria in media that reach ethnic groups that commonly use the Program, and monitor such media for questionable advertisements relating to the Program.*
  Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.

Details

At the time of this follow-up, the Ministry had not explored advertising Program criteria in media that reach ethnic groups. Instead, the Ministry informed us that it contracts a media monitoring firm to provide summaries of news stories in Ontario that are related to the Program, including those targeting ethnic groups and in languages other than English and French. At the time of this follow-up, the Ministry indicated that its approach is to ensure that its website contains current Program information, but that it would be challenging to monitor advertisements in local ethnic media to ensure that Program information is accurately advertised to potential applicants.

Detecting Misrepresentations and Fraud

Recommendation 8

To enhance the effectiveness of its program integrity unit in ensuring the quality of nomination decisions, the Ministry of Citizenship, Immigration and International Trade should:

- *implement the program integrity framework and action plan, taking into consideration best practices in other jurisdictions;*
  Status: In the process of being implemented by March 2018.

Details

During our 2014 audit, the Ministry began developing a program integrity framework. At the time of this follow-up, the Ministry was working on the framework to include best practices from other jurisdictions and to incorporate a regulatory framework in preparation for the proclamation of the *Ontario Immigration Act*, expected by March 31, 2018.

- *use risk indicators to identify high-risk files for further review;*
  Status: Fully implemented.

Details

In January 2013, the Program's integrity unit developed a screening tool to help processing officers make consistent decisions on whether a file should be referred to the integrity unit for further review. During our 2014 audit, Program staff informed us that the tool had been used for a short time but had been discontinued because management felt that its use slowed down processing time. After our audit, in June 2015, Program staff began using an assessment tool meant to support risk management by identifying high-risk files for reasons such as having had past denials for misrepresentation or having a representative who had misrepresented in the past. The Program's integrity unit also provided training in March 2015 to help staff identify when further review may be required.

- *clarify under what circumstances processing staff should refer files to the program integrity unit.*
  Status: Fully implemented.

Details

The operating manual in place at the time of this follow-up outlined instances when processing staff should refer files to the Program's integrity unit for further verification. Examples of these instances included finding a suspected or confirmed misrepresentation and past instances of misrepresentation by the applicant, the employer, or the representative on the file. Processing staff may also refer files to the integrity unit if they suspect a conflict of interest or if the applicant provides conflicting information.

Recommendation 9

To ensure that appropriate and timely action is taken regarding possible immigration fraud, the Ministry of Citizenship, Immigration and International Trade should:

- *obtain an interpretation of the privacy legislation from the Office of the Information and Privacy Commissioner of Ontario to confirm what matters can be disclosed to the federal government and law enforcement agencies when instances of misrepresentation or fraud are detected or suspected;*
  Status: Fully implemented.

Details

Our 2014 audit found that the Ministry did not always disclose information to the federal government and law enforcement agencies in instances of detected or suspected misrepresentation or fraud because the Ministry was concerned that doing so might contravene the *Freedom of Information and Protection of Privacy Act*. After our audit, the Ministry in December 2014 consulted with government privacy experts, including the Office of the Information and Privacy Commissioner of Ontario, to clarify its scope of authority to share personal information with law enforcement agencies when instances of misrepresentation or fraud are detected or suspected. Staff from the Office of the Information and Privacy Commissioner of Ontario indicated to the Ministry that an institution is permitted to disclose personal information to a law enforcement agency if that information is necessary for the purpose of enabling a law enforcement agency to determine whether to undertake an investigation.

- *file formal complaints with law enforcement agencies, including the RCMP, and any applicable regulatory bodies as soon as it has evidence of potential immigration fraud.*
  Status: In the process of being implemented by March 2018.

Details

At the time of this follow-up, the Ministry had not developed formal information-sharing agreements with law enforcement agencies and regulatory bodies. Although the Ministry met with the Ontario Provincial Police (OPP) in March 2015 to identify a referral process for individuals of concern, the Ministry was still working on formalizing agreements and protocols at the time of this follow-up. The Ministry expected to have a protocol for referring cases to the OPP by October 2016. The Ministry also indicated that the proclamation of the *Ontario Immigration Act*, expected by March 31, 2018, will enable it to develop information-sharing agreements with relevant partners such as the Immigration Consultants of Canada Regulatory Council, which is responsible for overseeing immigration consultants who practise in Canada.

Case Processing System

Recommendation 10

To ensure that the Provincial Nominee Program maintains accurate and reliable program data, the Ministry of Citizenship, Immigration and International Trade should:

- *implement system controls to restrict access to specific functions only to those with the authority to make decisions;*
  Status: Fully implemented.

Details

In January 2013, the Ministry implemented a computerized case management system to store applicant information, key documents and case decisions. In our 2014 audit, we noted significant data integrity issues in the system, including a lack of restriction on access to specific functions. This meant that any users, regardless of their role within the Program, could input decisions, change assessment status, and print nomination certificates. In July 2015, the Ministry updated the system to restrict access to specific functions to those with the authority to use them.

- *withdraw access rights immediately when staff end employment;*
  Status: Fully implemented.

Details

During our 2014 audit, we found that four staff members who had left the Program still had access rights to the case management system. At the time of this follow-up, the Ministry informed us that it had removed the rights of all individuals who were no longer employees of the Program and had begun removing rights immediately after an individual has left the program.

- *restrict changes to case decisions after they are made;*
  Status: Fully implemented.

Details

As previously noted, one use of the case management system is to store case decisions. Our 2014 audit found that any staff member with access to the system could make changes even after a decision had been reached. At the time of this follow-up, the Ministry had not restricted access with regard to making changes to case decisions.

Instead, the Ministry established a process in March 2015 where the program manager and the integrity unit are notified by email whenever a change is made in the case management system after a decision has already been made. The notification contains the date, the time, and the name of the individual making the change.

- *enhance input validation checks for selected fields to ensure that only reasonable data is accepted;*
  Status: Fully implemented.

Details

Our 2014 audit found that the case management system contained incomplete and inaccurate data because it did not have the ability to conduct input validation checks. In April 2016, the Ministry implemented upgrades to the system that allow the system to automatically conduct input validation checks.

- *identify and implement useful exception reports that program staff have requested;*
  Status: In the process of being implemented by March 2017.

Details

During the implementation phase of the Ministry's case management system, Program staff identified a number of system reports that they would like to have. One such report would indicate how many files met service timeline standards, but at the time of our 2014 audit, the case management system did not produce this report. As well, we found in our 2014 audit that the system did not produce exception reports identifying files on which changes had been made after they were closed or files with representatives who had previously misrepresented information. At the time of this follow-up, the Ministry had updated the case management system to detect the first of those two risks; to address the second, the Ministry had begun developing a system function to flag applications of concern, which could include representatives who had previously misrepresented information. As well, the Ministry

informed us that, as a result of upgrades it made in April 2016 to the case management system, the system can now generate an exception report identifying missing information in an application, such as a name, an employer's address or a case decision.

- *reinforce with staff the importance of not transmitting information on immigrant files to personal email accounts.*
  Status: Fully implemented.

Details

In our 2014 audit, we noted instances where information on immigration files was emailed from the government email system to a Program employee's personal email account, posing a risk of unintentional disclosure of personal information. After our audit, in November 2014, the program director sent all staff a memo emphasizing that it is unacceptable to use personal information technology resources to conduct government business and referred staff to the government's Acceptable Use of Information and Information Technology Resources Policy. The memo also asked all staff to complete an online tutorial to reinforce their understanding of their role as public servants in Ontario. The Ministry also reminds staff through an automatic system notification when they log in to their computers of the Acceptable Use of Information and Information Technology Resources Policy and the Information Security and Privacy Classification Policy.

Nomination Certificates

Recommendation 11

To ensure that nomination certificates are issued and revoked as appropriate and only approved nominees are forwarded to the federal government for further immigration screening, the Ministry of Citizenship, Immigration and International Trade should:

- *establish a functionality in its case management system to allow staff to generate a list of all approved nominees to be submitted to the federal government;*
  Status: Fully implemented.

Details

In our 2014 audit, we noted that although the Program's case management system holds data on all approved nominees and is used to generate nomination certificates, it was unable to produce a list of certificates issued to be sent to the federal government. After our audit, the Ministry updated the Program's case management system, so that it can now automatically generate a list of approved nominees. The Ministry informed us that it generates this report monthly and compares it to a manual tracking spreadsheet to ensure that any discrepancies are addressed and that only approved nominations are captured. Once the correct numbers are confirmed, an encrypted report is sent to Immigration, Refugees and Citizenship Canada.

- *strengthen internal controls, including segregating the duties of staff who generate nomination certificates from those who add new nominee application records to the case management system;*
  Status: Fully implemented.

Details

Our 2014 audit found that anyone with access to the Program's case management system could create a nominee record, generate a nomination certificate and add a name to a list of nominees provided to the federal government. The Ministry updated the case management system in July 2015 so that only certain staff designated by the manager can generate nomination certificates; they cannot create files. This update also prevents staff who can create files, assess applications or make decisions from generating nomination certificates.

- *notify the federal government promptly after making a decision to issue or withdraw a nomination;*
  Status: Fully implemented.

Details

In our 2014 audit, we found that nomination withdrawal certificates were not always communicated with the federal government promptly after a decision was made. At the time of this follow-up, the Ministry was notifying the federal government on a monthly basis of any decisions to issue or withdraw a nomination.

- *maintain an accurate record of when nominations issued and withdrawn are communicated to the federal government.*
  Status: Fully implemented.

Details

In our 2014 audit, we found that the Ministry did not always have a record of when nomination withdrawals were communicated to the federal government. At the time of this follow-up, the Ministry informed us that it maintains a record of when it communicates to the federal government about nominations issued and withdrawn.

Post-Nomination Monitoring and Program Evaluation

Recommendation 12

To ensure that post-nomination monitoring efforts are effective, the Ministry of Citizenship, Immigration and International Trade should:

- *use findings from investigations regarding misrepresentation and fraud to educate processing staff and improve due-diligence processes;*
  Status: Fully implemented.

Details

In 2013, Program integrity staff conducted follow-ups on a number of approved nominees who had become permanent residents and found that 38% of the sampled nominees were suspected to have misrepresented themselves. Program management requested that these results not be shared with processing staff, resulting in a missed opportunity to educate staff and enhance due-diligence processes. In March 2015, the Ministry delivered

Program integrity training to all processing staff. The Ministry advised us that this training incorporated findings from investigations undertaken by the Program's integrity unit. The Ministry indicated that it plans to conduct another Program integrity training course in July 2016 and that all processing staff and Program integrity staff will be required to attend that course.

- *define the scope of monitoring that should occur after investment projects are approved;*
  Status: Fully implemented.

Details

The Ministry closed the investment component in October 2015 and launched two new business components in December 2015. These new business components require applicants to sign a two-year performance agreement outlining commitments that must be met before the applicant qualifies for nomination. The Ministry informed us that Program staff will monitor these applicants every six months to ensure that they are meeting the commitments outlined in the performance agreement and will continue to monitor these applicants for a further three years after the applicant attains permanent resident status.

- *require that assessing ministries monitor at set intervals using prescribed methods (such as obtaining audited financial statements and conducting site visits) to verify information received;*
  Status: In the process of being implemented by March 2017.

Details

The Ministry closed the investment component in October 2015, but at the time of this follow-up, partner ministries were still assessing investor files that had previously been referred to them. According to the Ministry, these ministries have committed to clearing the existing inventory of applications. When the component existed, the Ministry had not prescribed time intervals and monitoring methods to assessing ministries; instead, it allowed the assessing ministries to use methods at their

own discretion. Now that the component is closed and no new investment files need to be referred to assessing ministries, the Ministry initially saw limited value in prescribing monitoring methods for the remaining inventory of applications that were already being assessed by these assessing ministries. Its position changed in August 2016, when it requested assessing ministries to implement a quarterly schedule for monitoring that includes providing the Ministry with the results and supporting documentation. The Ministry informed us that assessing ministries monitor projects 12 months after endorsement using such methods as reviewing copies of leases and staff job descriptions, and obtaining status updates on the investor and worker nominees.

- *request copies of the results of assessing ministries' monitoring activities and follow up when they are overdue;*
  Status: In the process of being implemented by March 2017.

Details
At the time of this follow-up, seven endorsed investor files were still being monitored; three were with the Ministry and four were with assessing ministries. In August 2016, the Ministry requested assessing ministries to keep it informed on a quarterly basis of the results of their monitoring activities.

- *consider nominating investment component applicants only after they have demonstrated that they have met project commitments, as is done in British Columbia.*
  Status: Fully implemented.

Details
The Ministry closed the investment component in October 2015 and launched two new business components in December 2015. These two new business components require a nominee applicant to sign a performance agreement outlining commitments for a two-year period. Examples of possible commitments include financial investments and

job creation. Applicants can qualify for nomination only after meeting the commitments outlined in the performance agreement.

Recommendation 13
To ensure that the Provincial Nominee Program is effective in selecting individuals who are likely to be an economic benefit to the province, the Ministry of Citizenship, Immigration and International Trade should:

- *obtain nominee information, such as provincial health insurance and driver's licence numbers, to help follow up on the outcomes for landed nominees;*
  Status: Little or no progress.

Details
After our 2014 audit, the Ministry consulted government privacy experts and determined that collecting personal information, such as provincial health insurance and driver's licence numbers, and using that information to follow up on the outcomes for nominees who became permanent residents would be problematic under existing legislation. However, the *Ontario Immigration Act*, if proclaimed, could give the Ministry an opportunity to explore the possibility of collecting driver's licence information for the purpose of administering its nomination program, subject to consultation and agreement with the Ministry of Transportation and the Information and Privacy Commissioner. The Ministry further noted that current privacy legislation restricts its ability to use health-card data to help follow up on the outcomes for landed nominees. But it is worth noting that in our *2014 Annual Report*, we reported that one province used health-card data to track permanent residents.

- *evaluate whether nominees without job offers who were selected based on their higher education have become economically established in Ontario;*
  Status: Fully implemented.

Details

After our 2014 audit, the Ministry commissioned a marketing research company in 2015 to conduct an assessment of nominees without job offers to see if they had become economically established in Ontario after attaining permanent resident status. The assessment, completed in December 2015, found that 89% of individuals nominated without job offers were employed within a year of becoming permanent residents.

- *establish performance indicators for each program component and for assessing fraud-detecting activities, including those recommended by federal-provincial-territorial working groups, and collect and analyze the required information.*
  Status: Fully implemented.

Details

The Ministry informed us that the federal-provincial-territorial working group on provincial nominee programs across Canada had approved a framework for common performance indicators in February 2016. The Ministry also indicated that it was collecting common program integrity indicators—such as nominee approval rates and the number of refusals due to documented fraud or misrepresentation—and reporting these indicators annually to Immigration, Refugees and Citizenship Canada. The Program was also internally tracking information related to fraud-detecting activities, including the use of site visits and in-person interviews.

Fee Revenue

Recommendation 14

To ensure that appropriate user fees are charged and the established amounts are collected, the Ministry of Citizenship, Immigration and International Trade should:

- *establish processing fees that recover the full cost of the Program;*
  Status: In the process of being implemented by April 2017.

Details

The Ministry indicated that it will be analyzing the fees associated with the new and existing Program components over the course of 2016 to determine whether they are fully recovering Program costs. The Ministry expects to complete this analysis by April 2017.

- *consider implementing a processing fee for employers;*
  Status: In the process of being implemented by April 2017.

Details

At the time of this follow-up, the Ministry had not yet implemented a processing fee for employers. The Ministry indicated that it will determine whether a processing fee for employer applications is necessary once it has finished analyzing the 2016 processing fees.

- *reconcile fees collected to revenue recorded in the financial system on a regular basis.*
  Status: In the process of being implemented by December 2016.

Details

In our 2014 audit, we detected a number of errors in the Ministry's tracking sheet of revenue, including duplicate receipt entries and data entry errors. At the time of this follow-up, the Ministry informed us that it had assigned responsibilities for reconciling fees collected with revenue recorded in the financial system to a staff member and that this work was being undertaken on a monthly basis. However, at the time of our follow-up, we found that the reconciliation work was about six months behind. The Ministry subsequently informed us that it had devoted additional resources to ensure that reconciliation is completed in time.

Ministry of Community and Social Services

Residential Services for People with Developmental Disabilities

Follow-Up on VFM Section 3.10, *2014 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	1		1.0		
Recommendation 2	1		1.0		
Recommendation 3	3		2.0	1.0	
Recommendation 4	1		1.0		
Recommendation 5	5		3.5	1.5	
Recommendation 6	5	3	1.0	1.0	
Recommendation 7	1				1
Recommendation 8	2	1		1.0	
Recommendation 9	4	1	2.0	1.0	
Recommendation 10	4		3.0	1.0	
Recommendation 11	4	1	3.0		
Total	**31**	**6**	**17.5**	**6.5**	**1**
%	**100**	**20**	**56**	**21**	**3**

Background

The Ministry of Community and Social Services (Ministry) funds residential and support services for people with developmental disabilities to help them live as independently as possible in the community. The Ministry funds two kinds of residential services for children (group homes and associate living similar to foster care), and five types for adults (ranging from supported independent liv-

ing to intensive-support residences that provide 24-hour care). About 18,300 people received residential services in the 2015/16 fiscal year (17,900 in 2013/14, of which 98% were adults). Another 14,900 adults were on a wait list at year's end (14,300 in the 2013/14 fiscal year).

In 2015/16, the Ministry paid a total of $1.3 billion to 236 not-for-profit community agencies that operated nearly 3,000 residences that provided residential and support services to people with developmental disabilities ($1.16 billion in 2013/14 to 240 agencies to operate nearly 2,100 residences).

Of this total, 97% was for adult services (similar to 2013/14). The Ministry, through regional offices, is responsible for overseeing program delivery for most residential services by agencies. Children's residential services are overseen primarily by the Ministry of Children and Youth Services.

In our *2014 Annual Report*, we noted that during the previous four years, the number of Ontarians with developmental disabilities receiving provincial services and supports grew only 1% to 17,900, while spending on those services and supports rose 14% to $1.16 billion. A portion of this funding increase was intended to accommodate 1,000 more people over four years, but only 240 more were being served by the end of the third year. As such, program costs were increasing faster than the number of people served. As well, as of March 31, 2014, the number of people waiting for services was almost as high as the number of people who had received services in the previous 12 months.

In 2004, the Ministry began work on a comprehensive transformation of developmental services in Ontario; however, the project was still unfinished at the time of our 2014 audit. We reported that the Ministry had made some progress by, for instance, establishing Developmental Services Ontario as a single access point for adult developmental services.

Some of the most significant findings of our 2014 audit were as follows:

- From 2009/10 to 2013/14, the number of people waiting for adult residential services increased 50% while the number served increased only 1%. We calculated that it would take 22 years to place everyone who was waiting for a residence at the time of our audit, assuming no one else joined the list.
- Eligibility and needs assessment of applicants had improved, but the Ministry still needed to complete the development of a consistent and needs-based prioritization process. People with the highest priority needs were not usually placed first because residential services placements went to people who were the best

fit for the spaces that became available, rather than to those who were assessed as having the highest priority needs.

- The Ministry needed to revise funding methods to link residential funding to residential level of care needs. Ministry funding to service providers was based on what the providers received in previous years, rather than on the level of care they needed to provide the people they were serving. A new funding method based on a reasonable unit cost for services by level of care could lead to savings that would allow more people on wait lists to be served.
- We found wide variations in the cost per bed or cost per person across the system for 2012/13. We calculated the cost per bed for adult group homes ranged from $21,400 to $310,000 province-wide. We also found large variances within regions. The Ministry was unable to explain the variances.
- About 45% of adult residences had not been inspected since 2010. Inspections typically included a review of agency policies and procedures, board documents, and staff and resident records, in order to assess the physical condition of a residence, the personal care provided to residents, the management of residents' personal finances, and whether the residence has a fire safety plan. For those inspections conducted, we found that issues were not being followed up on or resolved in a timely manner. The results of residence inspections were not made public.
- Ontario had few care standards and they were general in nature and open to interpretation.
- The Ministry did not have meaningful performance indicators to assess the quality of residential care provided.
- The Ministry created the Developmental Services Consolidated Information System database in 2011 to combine existing client information maintained by the various service providers. However, there were problems with

the accuracy and completeness of the wait management data within the system.

- The segregation of roles between the Ministry of Community and Social Services and the Ministry of Children and Youth Services regarding children's residential services was confusing: one ministry was responsible for contracting, funding and managing the relationship with service providers and another ministry was responsible for handling complaints, and licensing and inspecting those service provider premises. Confusion could arise over who was accountable for the overall delivery of children's residential services. As well, there was no consistent single access point for children's residential services.

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

Status of Actions Taken on Recommendations

The Ministry of Community and Social Services provided us with information in the spring and summer of 2016 on the current status of our recommendations. According to the information provided, 76% of our recommended actions have either been fully implemented or progress had been made on implementing them. Little progress was made on 21% of our recommended actions—ones that pertained to wait management, inspection of residences, and oversight of financial reporting. Specifically, the Ministry still has a lot of work to do in the areas of establishing a reasonable length of time for a person to accept or decline a placement offer and move in, expanding inspection procedures to include verification of service data and compliance with government directives for the broader public sector, requiring regular Canadian Police Information Centre and vulnerable sector screening of people providing direct care to individuals with

developmental disabilities, and providing guidance on expenditure data to be included in audited financial information submitted by service providers. One of the recommendations will not be implemented. This pertains to establishing benchmarks for standards of care, which we continue to believe should be implemented to ensure that all residents receive at least a minimum standard of care.

The status of the actions taken on each recommendation is described in the following sections.

Program Funding, Expenditures and Performance Measures

Recommendation 1

To ensure that funding for residential services and supports for people with developmental disabilities is equitable and tied to the level of support required by individuals in care, the Ministry of Community and Social Services should establish a funding model based on the assessed needs of people requiring services.

Status: In the process of being implemented by March 2019.

Details

At the time of our follow-up, the Ministry was developing a framework to allocate funding based on individuals' assessed needs and risk. The Ministry had met with stakeholders and experts, and had commissioned an independent consulting firm to review funding methods in other jurisdictions. The consultant's report noted a trend away from the practice of historically based funding to the creation of budgets in which funding is tied to the outcome of a standardized needs assessment. Alberta currently has and Manitoba is developing such funding models for their programs supporting people with developmental disabilities.

The Ministry has developed a draft funding formula that applies a weighting factor to each element of daily activity support needs, medical and behavioural risks, and other risks (such as, whether the person is able to understand spoken language

or requires overnight assistance) to arrive at the estimated hours of support needed. The Ministry has yet to conduct a case study to test and finalize the funding model. The Ministry plans to implement the new funding model in phases, starting on April 1, 2018, and concluding by March 2019.

Recommendation 2

The Ministry of Community and Social Services should review performance measures used in other jurisdictions to evaluate residential services provided to vulnerable people and, where appropriate, adapt these to develop relevant performance measures for residential services for people with developmental disabilities.

Status: In the process of being implemented by June 2017.

Details

At the time of our audit in 2014, we found that the Ministry did not have performance indicators that could be benchmarked, measured and reported on. In addition, we found that information collected from service providers measured only output, not outcomes.

As part of its Data Analytics and Evaluation Strategy, the Ministry plans to develop client-outcome and system-level performance measures to continually improve service quality and achieve long-term strategic objectives. In January 2016, the Ministry identified what a performance measure framework should include and what other jurisdictions are doing. It looked at quality-of-life measures used by programs that provide service to people with developmental disabilities in Alberta and British Columbia, and national indicators established by the United States.

In February 2016, the Ministry began consultations with service providers on performance indicators. Examples of performance indicators being considered by the Ministry include the percentage of people with developmental disabilities who engage in regular community activities, who report that they have choice in where they live, who report

feelings of belonging, and who find employment if they so desire.

The Ministry informed us that it has yet to conduct a gap analysis to identify whether new data is needed, and hadn't yet established a baseline measurement for selected indicators. The Ministry plans to have performance indicators developed and a gap analysis completed by June 2017.

Accessing Residential Services

Recommendation 3

To ensure that services are administered consistently and equitably, and that those most in need receive required services, the Ministry of Community and Social Services should:

- *complete timely needs assessments for all eligible individuals waiting for residential services;*
  Status: Little or no progress.

Details

We calculated that in 2013/14 it took an average of almost seven months from the time an application was received until a needs assessment was completed, the majority of this time being after eligibility had been confirmed.

To address this, the Ministry invested $3.5 million in additional funding to the nine Developmental Services Ontario access centres to hire a total of 37 new assessors. These people were hired by September 2015.

As well, the Ministry has developed a new reporting template through which data will be collected to allow the Ministry to monitor assessor capacity and productivity by access centre. Beginning March 2016, access centres were required to report on a monthly basis the number of assessors on staff and on a quarterly basis the number of assessments completed. According to Ministry data, there was a 20% increase in the number of needs assessments completed in the 2015/16 fiscal year compared to 2014/15. Although the Ministry does not track how long it takes to complete a needs assessment from

the time an application is received, it has measured wait times based on the time between eligibility confirmation and completion of an assessment. Based on the Ministry's internal reporting, the time between confirmation of eligibility and assessment completion has gotten progressively worse over the last three years. The average time in 2013/14, 2014/15 and 2015/16, respectively, was 6.4 months, 10.2 months and 11.9 months. The Ministry stated that assessments are completed for high-priority individuals first and that the majority of new applicants (over 60%) have an assessment completed within six months.

- *develop a consistent prioritization process across the province; and*
  Status: In the process of being implemented by September 2017.

Details

The Ministry developed the Provincial Prioritization Tool in April 2014 to help identify people with developmental disabilities who were most urgently in need of services/funding. This tool was implemented for use in 2014/15 in the Passport Program, which provides self-directed funding to adults with developmental disabilities to enable them to participate more fully in the community.

The Ministry has conducted evaluations of this tool to see if it could be used in other programs for people with developmental disabilities, including residential services. In 2014, the Ministry compared prioritization scores using the tool with the service needs ratings from assessments conducted by access centres, and found lower than expected agreement between prioritization scores and service needs. In 2015, the Ministry compared scores using the tool on the risk of adverse outcomes with the ratings from assessments conducted by access centres. Although it found a better correlation of results than in the 2014 analysis, it was still lower than expected. The Ministry determined that additional work is required before the tool can be used for prioritizing applicants for residential services.

The Ministry plans to implement the prioritization tool for use in the residential services program by September 2017.

- *validate all information in the Developmental Services Consolidated Information System.*
  Status: In the process of being implemented by March 2017.

Details

Prior to 2011, service providers maintained client data in their own systems. In 2011, the Ministry launched the Developmental Services Consolidated Information System (DSCIS) database to maintain in a centralized system personal and service details about every adult with a developmental disability who requested or received services or supports. At the time of our audit three years later, the Ministry had not yet finished validating the data entered into the system, either for those receiving services or those waiting for services.

The Ministry's latest data validation efforts of information for individuals receiving residential services was conducted in July 2013. At that time, the Ministry confirmed that the scope of the data validation did not address completeness, accuracy or authenticity of the DSCIS data, but rather focused on other issues within the system which allowed for incorrect data to be present.

The Ministry told us that DSCIS data validation of the residential wait list began in the fourth quarter of 2014/15. Each quarter, access centres provide the Ministry with a list of people waiting for services. Data validation may include reconciling clients' information across other data sources. This process is completed via teleconference and email with access centres based on specific data issues that arise when the Ministry is consolidating the data for provincial reporting. As of March 2016, about 14,900 people were waiting for residential services and 11,980 (or 80%) of those had had an assessment completed to validate their information in the system.

Recommendation 4

The Ministry of Children and Youth Services should develop a policy that is applicable to all children's residences that are funded by the government of Ontario. This would include implementing a consistent access mechanism and wait-list management process across the province for residential services for children and youth with developmental disabilities.

Status: In the process of being implemented. The Ministry of Children and Youth Services will have a plan developed by spring 2017, but is unable to provide a date for full implementation of the plan.

Details

Although both the Ministry of Community and Social Services and the Ministry of Children and Youth Services fund residential services for children with developmental disabilities, access to these services is managed by the latter.

In July 2015, the Ministry of Children and Youth Services established a Residential Services Review Panel to review child and youth residential services in Ontario across all sectors (e.g., child welfare, mental health, youth justice and complex special needs). The panel's mandate was to build on the foundational work of previous reviews and reports to government, and to provide advice on what is needed going forward to improve residential services for children and youth. The panel had discussions with key stakeholders, including youth with experience in residential services, foster parents, service providers, front-line workers, provincial associations, and the Provincial Advocate for Children and Youth. In February 2016, the panel submitted its final report with 33 recommendations to the Ministry of Children and Youth Services. With regards to access, the panel recommended the following:

- The Ministry should create one unified, integrated governance structure within the Ministry (a Quality of Residential Care Branch/Division) to provide systematic oversight and accountability for all residential services through mechanisms that focus on the foundation and elevation of quality of care. The

new structure is envisioned as having four core components: a quality inspectorate; a data analytics reporting unit; a continuity of care unit; and an advisory council.
- The placement of young people in a residential service should be based on a match between the needs and strengths of the young person, and the strengths and demonstrated capacities of the various program service providers.
- A centralized, publicly accessible, web-based directory of all licensed service providers in the province should be created to maximize opportunities for system planning, placement decisions and oversight of residential services.

The Ministry of Children and Youth Services informed us that it will be developing a plan for the reform of child and youth residential services, which it expects to have completed by spring 2017. The plan is to encompass the recommendations of the panel and is expected to focus on improving the quality of care for children and youth, and enhancing oversight and licensing requirements in residential settings. As well, the plan will focus on data and analytics to inform decision-making at all levels. According to the Ministry, it is too early in the process to know when implementation of the plan will be completed.

Wait Management

Recommendation 5

To improve the management of wait times for residential services for people with developmental disabilities, the Ministry of Community and Social Services should:

- *promote consistent recording of wait information, including tracking both wait times and wait lists;*
  Status: In the process of being implemented by June 2017 for wait list information only. But little or no progress on tracking wait times for residential services.

Details

The Ministry stated that improvements were being developed in its Developmental Services Consolidated Information System (DSCIS) database that are expected to address data quality, including tracking wait list information, but not wait times. Specifically, work is continuing to expand system capacity and enable access centres to match clients to available resources identified by service agencies. The Ministry's design includes a new web-based information-sharing portal through which service agencies will provide information to access centres on available services and supports. The portal, which feeds into the system, will also be used by access centres to share information about people who are identified as potential matches for available services and supports so they can be linked up with those agencies.

At the time of our follow-up, the Ministry had consulted with access centres on training and data migration to help plan implementation. As well, the system had been demonstrated to key internal and external stakeholders. The information system improvements are expected to be implemented by June 2017.

At the time of our follow-up, the Ministry did not have accurate and reliable information regarding wait times for residential services.

- *establish guidelines for the length of time an applicant may take to accept a placement, and then to move in;*
  Status: In the process of being implemented by March 31, 2018.

Details

At the time of our audit, we noted that the average time to fill a vacancy in 2013/14 ranged from 92 to 128 days. We also noted there were no mandated timeframes for an applicant to accept a placement offer, or for when they must move in after accepting.

The Ministry revised its vacancy management guidelines in 2016. The revised guidelines, which took effect at the start of 2016/17, state that under ideal circumstances, the goal is to have vacancies remain open for less than 90 calendar days. This period should include the time it takes for a person to accept a proposed residential placement and begin the transition into their new home. For residential resources that remain available for 90 days or longer, details are to be provided in a quarterly residential resource report to the Ministry that documents the circumstances contributing to the length of time.

The revised guidelines do not adequately address the need to shorten the time to fill a vacancy. The time period under the Ministry's new guideline is considerably longer than that required for a long-term-care home vacancy, where a person has 24 hours to accept or decline a placement offer and must move in within five days of the offer. Furthermore, under the old guidelines, the Ministry required agencies to provide an explanation when a vacancy had not been filled within 60 days; this has now been extended to 90 days. The Ministry's average to fill a vacancy in the first quarter of 2016/17 was 81 days. The median was 65 days. The Ministry plans to revisit its target of 90 days in 2017/18.

- *consider making wait times public to increase transparency and accountability;*
  Status: Little or no progress.

Details

The Ministry told us that because people with developmental disabilities are prioritized for residential services according to their unique needs and risk factors rather than by how long they have waited for these services, the Ministry and service providers did not want to make wait time information public until a more transparent mechanism was established. The Ministry informed us that it is continuing to work with the sector to publicly report information on average wait times to receive specific services.

- *assess, on the basis of the needs of individuals on the wait list, what the mix of residential service*

types should be, to enable those with the highest needs to be placed first, as practical, in the future; and

Status: In the process of being implemented by March 2017.

Details

In December 2015, the Ministry completed the first phase of a strategy for using a multi-year approach to residential planning. This phase involved collecting information from community planning tables on the highest-priority people waiting for services. In addition, service providers will be permitted to repurpose and combine vacancies to serve more or higher-needs people.

The Ministry found that regional offices and access centres identified almost 1,500 people as highest priority for residential services over the next two years. The most common type of residential setting required was group homes (61%), followed by supported independent living, host family residences (similar to foster care) and intensive support residences. The residential setting required for 10% of those identified as highest priority was unknown.

The Ministry is planning to place 1,400 high-priority individuals within the next two years.

- *use the Developmental Services Housing Task Force to develop alternative housing solutions to alleviate demand as quickly and cost-effectively as possible.*
  Status: In the process of being implemented by September 2018.

Details

The Developmental Services Housing Task Force (Task Force) was established in September 2014, with a mandate to, among other things:
- develop a framework for capacity-building projects and identify and recommend demonstration or research projects for government investment and evaluation beginning in 2015;
- develop and compile web-based resources to help individuals and families get information,

network, collaborate and support each other in exploring and creating successful housing solutions; and
- provide a report to government with recommendations related to housing for people with developmental disabilities.

The Task Force established a Facebook group, and worked with connectability.ca to develop a library of online resources for innovative housing ideas, including online resources for individuals and families and a library of resource material with examples of innovative housing solutions.

A request for proposals for innovative housing solutions was posted publicly on the Ministry's website in Spring 2015. The Ministry received 80 submissions, which were reviewed and scored by the Task Force, resulting in 12 projects recommended and approved by the Ministry for $3.47 million over two years. These projects are expected to provide residential services for 67 people.

A second request for proposals of housing solutions was posted publicly on the Ministry's website in December 2015. The Ministry received 69 submissions and six projects were selected and approved at a cost of $2.13 million over two years. These projects are expected to provide residential services for 46 additional people. Summaries of the details of the selected projects from both requests for proposals are available on the Ministry's website. Although this is a good start, the number of people expected to be housed (113) is a very small portion of those currently waiting for residential services (14,900 in total, of which 1,500 were high priority).

According to the Ministry, the Task Force will be in place until September 2018.

Quality of Service Providers

Recommendation 6

To help ensure that inspections of residences contribute to the safety and security of the environments where people with developmental disabilities live, the Ministry of Community and Social Services should:

- *continue to use a risk-based approach and set a maximum time allowed before lower-risk residences need to be inspected;*
  Status: Fully implemented.

Details

At the time of our 2014 audit, 45% of about 2,100 adult residences had not been inspected since 2010.

As part of a new compliance framework for inspections released by the Ministry in February 2016, the Ministry has committed to conduct annual reviews of agencies, during which a number of residential sites will be inspected each year. As part of this framework, the Ministry has also committed to inspect each lower-risk residential site at least once every five years, whereas higher-risk residences are to be inspected more often based on identified risks (e.g., serious occurrence reports, complaints to the Ministry and last inspection date).

- *conduct unannounced inspections;*
  Status: Fully implemented.

Details

According to Regulation 276/10 under the *Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act, 2008*, the Ministry may only conduct unannounced inspections where there are grounds to believe the agency has misappropriated funds, or there is an immediate threat to the health, safety and well-being of a person receiving services and supports from the service agency.

In March 2016, through the Ministry's Serious Occurrence Reporting Process, the Ministry implemented a protocol for conducting unannounced inspections in response to reported health and safety concerns or misappropriated funds. This has resulted in three additional unannounced inspections to date.

The Ministry also informed us that it is developing a team—comprised of representatives from the regional office, corporate compliance team and senior management—to plan investigation activities where there are allegations of health and safety concerns, and/or misappropriation of funds.

- *distinguish between the severity of non-compliance items and ensure appropriate and timely follow-up where significant issues are noted;*
  Status: Fully implemented.

Details

The Ministry developed a prioritization matrix in February 2016 that it has been using in its inspections to categorize the differing severity of non-compliance issues. A risk rating (of immediate, high, medium or low) is applied to each of the 280 inspection requirements, as well as timelines for corrective action by service providers based on level of risk. For example, for non-compliance that poses an immediate threat to the health, safety or well-being of a client, the service provider must correct the situation at the time of inspection or submit documentation that meets Ministry expectations confirming that the corrective action was taken within 24 hours. Further, the Ministry will not sign off on the inspection until it confirms that the service provider has addressed that immediate risk. For non-compliance rated as high risk, the Ministry requires corrective action within 10 business days. For non-compliance rated medium and low risk, service providers are allowed up to 40 days to take corrective action. If a service provider still does not comply, the Ministry may issue a notice that requires compliance within 14 days. Failure to rectify issues after this may result in the Ministry withholding future funding to the agency.

- *expand inspection procedures to include verification of service data reported to the Ministry, and test compliance with Broader Public Sector Expenses Directives on a sample basis; and*
  Status: Little or no progress.

Details

At the time of our follow-up, the Ministry had not adjusted its site inspection procedures to verify

service data or to test compliance with Broader Public Sector Expenses Directives, and had no plan to do so. The Ministry stated it would determine the current practices of regional offices and explore options to verify agency service data to address any significant anomalies or issues.

- *publish the results of inspection reports to increase the transparency and accountability of the process.*
  Status: In the process of being implemented by March 2017.

Details

Effective January 2016, the Ministry released a policy directive that requires service providers to post a hard copy of either their letter of compliance or non-compliance following annual inspection, within three business days of receiving it from the Ministry. The letter must be posted at or near the main entrance of the agency and be clearly visible to those who enter. These letters summarize the results of the inspection and indicate whether the service provider has met all requirements or not. In the case of a non-compliance letter, the areas requiring corrective action are identified.

Further, service providers are required to respond to queries or provide information on their current compliance status and the results of their ministry compliance inspections, to anyone who requests them.

However, at the time of our follow-up, the Ministry had no plans to publish on its website results of inspections on residences for people with developmental disabilities to allow quick access to comparative information.

Recommendation 7

To help ensure the well-being of people with developmental disabilities living in Ministry-funded residences, the Ministry of Community and Social Services should establish further standard-of-care benchmarks, such as staff-to-resident ratios and the minimum number of times a year that each resident

should be seen by health professionals such as physicians and dentists.
Status: Will not be implemented. We continue to believe this recommendation should be implemented.

Details

The Ministry has said that because people with developmental disabilities have a wide range of needs—some need minimal support (e.g., for learning how to take public transportation independently or addressing personal issues as they arise) and others need intensive support (e.g., 24/7 support with all aspects of daily living, and to manage challenging behaviours, such as self-harm)—it is difficult for the Ministry to accurately set a standard for staff-to-client ratios that is meaningful and appropriate for people who live in developmental services settings or participate in other Ministry-funded programs.

Rather, the Ministry feels minimum standards are not needed because it already requires that funded service agencies develop an individual support plan for every person receiving services, and that these plans identify the community resources that may be required or accessed by the individual, including medical resources.

We continue to believe that this recommendation should be implemented to ensure that all residents receive at least a minimum standard of care.

Recommendation 8

To help ensure that people applying for developmental services have their support needs properly assessed, and that those living in residences funded by the Ministry of Community and Social Services receive quality services, the Ministry should:

- *ensure that all assessors and residential staff complete the required training; and*
  Status: Fully implemented.

Details

Although the Ministry has mandatory training requirements for access centre staff who assess

people's support needs and for agency staff who provide care, during our 2014 audit we found that some staff had not received all required training. In December 2015, the Ministry revised its policies to require Ministry staff to review the training records of all agency staff and volunteers to ensure they have completed all required training according to quality assurance measures and policy directives for service providers. Service providers found not complying with the training requirements must take immediate steps to do so.

According to Ministry records at the time of our follow-up, all access centre staff responsible for conducting needs assessments were up to date on their training requirements.

- *ensure that all residential staff who provide direct care to residents undergo regular vulnerable sector screenings and Canadian Police Information Centre checks.*
  Status: Little or no progress.

Details

During our audit in 2014, we noted that regulation 299/10 of the *Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act* requires a background check through the Canadian Police Information Centre (CPIC), including vulnerable sector screening. This check is to be conducted before a person can be hired to provide direct care to people with developmental disabilities. However, neither the legislation nor Ministry policy requires that staff regularly update their CPIC checks, including vulnerable sector screening.

At the time of our follow-up, the Ministry informed us it was assessing the feasibility of requiring regular updates of vulnerable sector screenings and CPIC checks for agency staff. To this end, the Ministry had examined how often police records checks were required for people working in residential services for people with developmental disabilities in British Columbia, Alberta and Saskatchewan. The Ministry also reviewed practices in

other sectors in Ontario in which people are working with vulnerable individuals (e.g., long-term-care homes, elementary and secondary schools, and child care). As well, the Ministry told us it had had preliminary discussions with selected internal and external stakeholders, but no meeting minutes were available for our review.

The Ministry said it is planning to review and update regulation 299/10, and, as part of that review, will consider whether any changes or additions are necessary.

Oversight of Service Providers

Recommendation 9

To help ensure the prudent use of government funds, and improve agency governance and accountability processes, the Ministry of Community and Social Services should:

- *ensure completion of all agency risk assessments;*
- *ensure completion of all action plans to correct deficiencies noted during risk assessments and annual attestation of compliance;*
  Status: In the process of being implemented by March 2017.

Details

Service providers must complete a risk-assessment questionnaire every two years that determines their ability to meet service delivery objectives. This self-assessment is reviewed by the Ministry. Where risks are identified, the Ministry requires the service provider to develop an action plan to mitigate those risks.

To help ensure that risk assessments are completed and identified deficiencies corrected, the Ministry has been developing a new transfer payment risk assessment process and tool, which includes a web-based application allowing for basic reporting, and will also provide staff with built-in alerts for monitoring whether there has been progress on correcting deficiencies. The Ministry

also informed us that monitoring is to be done at the regional office level and the Ministry's corporate office will receive a summary report indicating whether compliance has been achieved. As of August 5, 2016, the summary report showed that 31% of risk assessments required to be completed in 2015/16 had not yet been started by either the service provider or the Ministry, and no assessments had been fully approved or completed.

The Ministry indicated that the new processes being developed, to complete risk assessments and monitor progress on correcting deficiencies, will be fully implemented by March 2017.

- *conduct periodic independent verification to obtain assurance that agencies comply with the government's directives for the broader public sector; and*
  Status: Little or no progress.

Details

As noted earlier, the Ministry has no plans to independently verify that agencies are complying with the government's directives for the broader public sector.

As was the process at the time of our audit, the Ministry continues to require that each service provider agency complete and return to the Ministry an annual attestation signed by both its chief executive officer and the chair of its board that they have complied with the requirements of the *Broader Public Sector Accountability Act, 2010*, and its directives. The attestation is also to indicate corrective action it will take for any issues of non-compliance. Despite the attestation, at the time of our audit we found that many agencies indicated they were not in compliance, and the Ministry did not always follow up with the service providers to ensure that corrective action had been taken.

At the time of our follow-up, the Ministry had developed a preliminary draft guideline to support regional offices in reporting, following up and taking corrective action on issues of non-compliance, including those identified by service providers

through their annual attestation. The Ministry informed us that it was working with the Treasury Board Secretariat to finalize the draft guidelines so they could be implemented. However, this would not address our recommendation for independent verification of compliance with government directives for the broader public sector.

- *encourage Ministry staff to attend agency board meetings.*
  Status: Fully implemented.

Details

The Ministry informed us that as a best practice, Ministry staff attend agency board meetings wherever possible. The Ministry further stated that its staff are reminded during their training sessions about the need to collaborate with agencies and attend agency board meetings.

Recommendation 10

In order to better hold agencies accountable for the residential services they provide to people with developmental disabilities, the Ministry of Community and Social Services should:

- *ensure that agencies submit all required data;*
- *periodically validate the accuracy of information submitted; and*
  Status: In the process of being implemented by March 2017.

Details

Agencies funded by the Ministry are required to report quarterly on expenditures and service levels, and to reconcile expenditures to funding received at year-end. Agencies are also required to explain significant variances from targeted amounts.

In February 2016, the Ministry developed a data integrity framework to address data quality issues and to outline the Ministry's approach to ensuring the quality and completeness of agency data. Specifically, the framework includes cross-checks against other sources (i.e., budgets submitted) and

identification of data anomalies (including missing data) through quarterly and annual variance reports, and year-over-year comparison or trends in key service data.

One staff member from each Ministry regional office was to be trained on using the software that supports the framework in September and October 2016. The Ministry expects to fully implement this recommendation by March 2017.

- *require that quarterly reports provide information for individual residences as well as for agencies, to enable better cost comparisons among entities providing similar services; and*
  Status: In the process of being implemented by March 2017.

Details

The Ministry's analysis of performance and service delivery was being done at the agency level, not at the individual residences. To conduct meaningful comparisons among residences of similar type and capacity, the Ministry established client service performance indicators and operational performance indicators. Client service indicators include number of clients served by level of support, number of clients served per full-time employee, annual hours each individual receives support from a care worker, and number of full-time employees per bed. Operational indicators include annual cost per person served, cost per day of care, cost per hour of support provided by a care worker, and administration-to-cost ratio.

To date, the Ministry has analyzed 10 agencies with high costs relative to other agencies offering the same type of residential service. Based on this analysis, the Ministry found that cost variances were due to poor or inconsistent administration of programs and services in six agencies, incorrect data in two agencies, and differences in business attributes or level of client service at one agency. The analysis of one agency was inconclusive. Based on this initial analysis, the Ministry has noted that robust financial monitoring and more detailed

review of transfer payment agencies are needed. The Ministry said that, starting in March 2017, its program monitoring will include cost analysis of agencies on an ongoing basis.

- *provide guidance on useful expenditure data to be included in the audited financial statements and supplemental segregated financial information.*
  Status: Little or no progress.

Details

To confirm that funding is being used for its intended purpose, agencies must submit audited financial statements, supplemental financial information segregated by service provided, and a reconciliation of agency spending with the amount of Ministry funding provided. However, at the time of our audit in 2014, the reconciliation and supplemental information were not at the same level of detail to allow for verification of the breakdown of expenditures.

The Ministry informed us that the Transfer Payment Administrative Modernization Office at the Treasury Board Secretariat, which has a mandate to identify and implement efficiencies in the administration of transfer payments to organizations, was expected to begin working with the ministries of Health and Long-Term Care, Community and Social Services, and Children and Youth Services in late 2016 to develop a common year-end financial reconciliation process for transfer payment agencies. The proposed model included one summary statement of revenue and expenses and supporting documents, including an income statement breakdown for each funded program.

The Ministry informed us that the Transfer Payment Administrative Modernization Office may engage an accounting firm to propose model financial statements that will facilitate review and confirmation of financial information. This includes guidelines for reporting financial data.

Recommendation 11

In order to improve the usefulness of the serious occurrence reporting process, the Ministry of Community and Social Services should:

- *ensure that serious occurrence reports are entered into its data system on a timely basis;*
  Status: Fully Implemented.

Details

Following the last two fiscal years, the Ministry has required regional office directors to attest in writing that all serious occurrence reports submitted up to the fiscal year-end have been uploaded, closed and signed off in the Serious Occurrence System. Regional office directors are also required to describe the process they have in place to keep the Serious Occurrence System up to date.

For the purpose of our follow-up, regional directors attested that all serious occurrence reports had been uploaded into the system as of June 30, 2016.

- *refine the categories and promote consistent reporting;*
  Status: In the process of being implemented by December 2016.

Details

At the time of our audit in 2014, some of the serious occurrence categories were too broad and not detailed enough to analyze and identify trends for specific issues and any corrective action needed.

To address this, the Ministry established a Serious Occurrence Improvement Project team to refine and enhance the categories, levels, timelines and reporting process for serious occurrences, as well as to identify the IT requirements for developing a new database.

At the time of our follow-up, the categories had been revised and approved, but not yet shared with service providers. The revised categories included death, restrictive intervention, serious injury/illness, allegations of abuse, neglect or exploitation, administrative error, serious complaints, client/individual actions (e.g., suicidal behaviour, contra-

band), and service disruption/emergency situation. The Ministry expected to communicate the revised categories and descriptions to service providers by December 2016.

To help ensure consistency in reporting in the interim, in July 2016, the Ministry updated the Q & A document attached to the existing 2013 Serious Occurrence Reporting Guidelines to clarify for service providers the reporting of serious occurrences.

- *reconcile annual serious occurrence summary reports from service providers with occurrences reported throughout the year to ensure completeness; and*
  Status: In the process of being implemented by March 2017.

Details

The Ministry, along with the Ministry of Children and Youth Services, has established a Serious Occurrence Improvement Project team, whose work includes the integration of information that will enable the Ministry to reconcile annual serious occurrence reports from service providers. Specifically, to enable this, the Ministry is developing an automated IT solution that will provide notification and reporting capabilities to both service providers and the Ministry, including the ability to review and manage serious occurrence summary reports.

The Ministry expects that a process for data reconciliation will be developed and implemented by March 2017. In the interim, in April 2016, the Ministry sent a memo to all regional directors that included a reminder to reconcile serious occurrence reports throughout the year with service providers' records.

- *analyze serious occurrences to identify anomalies and systemic issues, and to inform decision-making.*
  Status: In the process of being implemented by March 2017.

Details

In October 2015, the Ministry produced a five-year summary report of serious occurrences, which identified the number and type of serious occurrences reported, agencies that were not reporting at all, and submission of incomplete and late reports. Based on this analysis, the Ministry reported the following to its senior management:

- Despite decreases in the total number of logged serious occurrences, there were decreases in those that were on-time and complete. Provincially, the use of physical restraints and complaints made by or about a client were consistently the top two types of serious occurrences.
- Provincial and regional trends indicated that a backlog still existed in logging serious occurrences into the Ministry's IT system. In each of the last five fiscal years, approximately 40% of Ministry-funded agencies did not have a serious occurrence logged. For the last five fiscal years combined, 19% of the agencies that received Ministry funding did not have a logged serious occurrence.
- Serious occurrences were entered into the system without linking them to a program, making analysis of serious occurrences by program and type of residential setting impossible.

At the time of our follow-up, the Ministry had not yet identified issues, anomalies and trends at the system, regional and agency levels. It expected to conduct such an analysis for the current fiscal year by March 2017, and thereafter annually. The Ministry said that once this analysis was completed, it would drive investigations and corrective measures.

Smart Metering Initiative

Follow-Up on VFM Section 3.11, *2014 Annual Report*

RECOMMENDATION STATUS OVERVIEW						
	# of	Status of Actions Recommended				
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	4	1	1	1	1	
Recommendation 2	3		2		1	
Recommendation 3	3		3			
Recommendation 4	1	1				
Recommendation 5	1				1	
Recommendation 6	1					1*
Recommendation 7	1			1		
Recommendation 8	1			1		
Recommendation 9	2	1	1			
Recommendation 10	1	1				
Recommendation 11	1		1			
Total	**19**	**4**	**8**	**3**	**3**	**1**
%	**100**	**21**	**42**	**16**	**16**	**5**

* Hydro One (now Hydro One Inc.) ceased to be an agency of the Crown following passage of the *Building Ontario Up Act, 2015* on June 4, 2015. As a result, our Office no longer has the authority to do audit or follow-up work on Hydro One Inc.

Background

The Ontario government's Smart Metering Initiative (Smart Metering) is a large and complex project that required the involvement of the Ministry of Energy (Ministry), the Ontario Energy Board (OEB), the Independent Electricity System Operator (IESO), and over 70 distribution companies, including Hydro One. In 2004, the government announced plans to reduce energy consumption in the province by creating a culture of conservation. One aspect of this plan was the installation of smart meters in homes and small businesses across Ontario. As of June 2016, approximately 4.8 million smart meters (unchanged since May 2014) had been installed in homes and at small businesses across Ontario.

Smart meters, like conventional meters, track the quantity of electricity used. However, the smart

meters also log use by time of day. This feature allows for the introduction of time-of-use (TOU) pricing, which is intended to encourage ratepayers to shift electricity usage to times of off-peak demand, when rates are lower. Under TOU pricing, electricity rates are highest during the day, but drop at night, on weekends and on holidays. The combination of smart meters and TOU pricing was expected to encourage electricity conservation and reduce demand during peak times by encouraging ratepayers to, for example, run the dishwasher or clothes dryer at night rather than in the afternoon, and set the air conditioner's thermostat a few degrees warmer on summer afternoons. The reduction of peak demand could reduce the need to build new power plants, expand existing ones or enter into additional power purchase arrangements.

In our *2014 Annual Report*, we found that Smart Metering was rolled out by the Ministry with aggressive targets and tight timelines, without sufficient planning and monitoring by the Ministry, which had the ultimate responsibility to ensure that effective governance and project-management structures were in place to oversee planning and implementation. Many of the anticipated benefits of Smart Metering had not been achieved and its implementation had been much more costly than projected.

Our other significant concerns included the following:

- The Ministry did not complete any cost-benefit analysis or business case prior to making the decision to mandate the installation of smart meters. In contrast, other jurisdictions, including British Columbia, Germany, Britain and Australia, all assessed the cost-effectiveness and feasibility of their smart-metering programs before proceeding.
- After the government announced the rollout of Smart Metering in April 2004, the Ministry prepared a cost-benefit analysis and submitted it to Cabinet. However, the analysis was flawed; its projected net benefits of approxi-

mately $600 million over 15 years were significantly overstated by at least $512 million.

- The Ministry had neither updated the projected costs and benefits of Smart Metering, nor tracked its actual costs and benefits, to determine the actual net benefits realized. As the project progressed, there were many challenges with its development and implementation. As of May 2014, our analysis showed that overall smart meter-related implementation costs had reached almost $2 billion (compared to the initial projected cost of $1 billion), with additional costs to come. The majority of these costs were passed on to the ratepayers in Ontario.
- The purpose of Smart Metering was to enable TOU pricing, which was expected to reduce electricity demand during peak periods. The Ministry set several targets to reduce peak electricity demand, but these targets had not been met.
- Ratepayers pay different amounts for the same power usage depending on where they live in Ontario, mainly due to different delivery costs of over 70 distribution companies. For example, at the time of our 2014 audit, a typical residential electricity bill could vary anywhere between $108 and $196 a month, mainly because of the variation in delivery costs ranging from $25 to $111 a month charged by different distribution companies.
- The difference between the On-Peak and Off-Peak rates had not been significant enough to encourage a change in consumption patterns. When TOU rates were introduced in 2006, the On-Peak rate was three times higher than Off-Peak; by the time of our 2014 audit, that differential had fallen to 1.8 times.
- The significant impact of the Global Adjustment on TOU rates was not transparent to ratepayers. Between 2006 and 2015, the 10-year accumulative actual and projected Global Adjustment totalled about $50 billion which was equivalent to almost five times the

2014 provincial deficit of $10.5 billion. The Global Adjustment represented an additional payment covered by ratepayers over the market price of electricity and it accounted for about 70% of each of the three TOU rates.

- Under Smart Metering, a $249-million provincial data centre was established to collect, analyze and store electricity consumption data. However, most distribution companies used their own systems to process smart-meter data. The costs of this duplication—one system at the provincial level and another locally—were passed on to ratepayers.
- Additionally, we noted that many of Hydro One's billing complaints related to the increases in the TOU rates, connectivity issues between smart meters and associated communication systems, bills based on errors arising from smart meters connected to incorrect addresses, and other Hydro One billing system issues.

In our report, we directed recommendations to the Ministry, the IESO, Hydro One and the OEB. We recommended that business cases be prepared before proceeding with any major projects in the future; that the structure and pricing of the TOU program be re-evaluated; that Hydro One improve its systems for dealing with ratepayer complaints about billing and metering issues; that the impact of the Global Adjustment on electricity bills be transparent to ratepayers; and that the limitations and options surrounding the provincial data centre be reassessed.

We made a number of recommendations for improvement and received commitments from the Ministry, the IESO, Hydro One and the OEB that they would take action to address our recommendations.

Standing Committee on Public Accounts

In May 2015, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2014 Smart Metering Initiative audit. In November 2015, the Committee tabled a report in the Legislature resulting from this hearing. The Committee endorsed our findings and recommendations. The Committee made eight additional recommendations and asked the Ministry, the IESO, and the OEB to report back by the end of March 2016. The Committee's recommendations and follow-up on their recommendations are found in **Chapter 3**.

Status of Actions Taken on Recommendations

The Ministry, the OEB and the IESO provided us with information in spring and summer of 2016 on the current status of the recommendations we had made in our *2014 Annual Report*. According to the information we received, only about 20% of our recommendations had been fully implemented, specifically in the areas of conducting a cost-benefit analysis prior to implementing major initiatives in the electricity sector; educating the distribution companies about the proper business processes to follow when submitting consumption data to the provincial data centre; and improving security controls when accessing smart-meter data. The Ministry was in the process of implementing about 40% of our recommendations, mainly in the areas of considering different scenarios or alternatives as part of the long-term energy process; ensuring ratepayer concerns are addressed properly and in a timely manner, and that clear, timely and accurate bills are issued to ratepayers; and proposing changes to legislation that would require utilities to report smart meter-related fire incidents. However, the Ministry has shown little or no progress in 16% of our recommendations, specifically in areas such as reducing the duplication of smart-meter processing costs, and ensuring that Ontario's electricity supply and demand forecasts are critically re-evaluated periodically. Three recommendations

will not be implemented and one recommendation addressed to Hydro One is no longer applicable. Hydro One did not participate in our follow-up work. Hydro One Inc., formerly called Hydro One, and its subsidiaries are no longer agencies of the Crown under the *Building Ontario Up Act, 2015*, and so, are not required to respond to our recommendations. We were therefore unable to assess the status on our recommendation regarding its contracting and procurement activities.

The status of each of our recommendations is summarized below.

Governance and Oversight of Planning and Implementation

Recommendation 1

To ensure that any future major initiative in the electricity sector is implemented cost-effectively and achieves its intended purposes, the Ministry of Energy should:

- *conduct a cost-benefit analysis or business case prior to implementing an initiative to assess costs, benefits and risks;*
  Status: Fully implemented.

Details

In our 2014 audit, we found that the Ministry did not complete any cost-benefit analyses or business-case studies before making the decision to install smart meters across Ontario. The lack of a proper cost-benefit analysis exposed the province to unanticipated risks and unknown cost.

During our follow-up, we found that the Ministry has since performed business-case studies prior to undertaking recent projects related to smart-metering initiatives.

In late 2014, the Ministry worked with the IESO and the Advanced Energy Centre to prepare a business case for a new data project that combines time-of-use (TOU) consumption data with other data relating to, for example, weather, location and property information, and consumers' participation

in conservation. The purpose of this project is to develop a combined data set that the Ministry can use to analyze electricity usage and make informed decisions on energy policy, infrastructure planning and conservation programs. The Ministry, IESO and Advanced Energy Centre consulted with 18 local distribution companies to assess the costs, benefits and implementation considerations of the project, including ways to ensure the privacy and security of customer information. The business case determined that the potential benefits will outweigh the potential costs. The Ministry is currently reviewing and assessing the business case to determine further action.

In fall 2014, the Ministry commissioned a study to evaluate the current state of the smart grid in Ontario. Smart grid is an intelligent electricity infrastructure that uses advanced communications and control technology to improve the flexibility, reliability and efficiency of the electricity system (smart metering represents the first step toward creating a smart grid). To maximize benefits and minimize risks to Ontario, the study evaluated three different smart grid deployment scenarios for the future. It also identified potential barriers to achieving the full value of the estimated benefits. This report will inform the Ministry's future policy considerations with regard to the development and adoption of the smart grid.

- *review the role of the Ontario Energy Board as an independent regulator when ministerial directives that impact electricity rates are issued;*
  Status: Will not be implemented. The Office of the Auditor General continues to believe that the role of the OEB as an "independent" regulator should be reviewed.

Details

After the government announced Smart Metering in April 2004, the Minister of Energy issued a directive to the OEB requiring it to develop an implementation plan to achieve the government's smart-meter targets. Our 2014 audit noted that

the Ministry had set aside the regulatory role of the OEB. Instead of conducting a cost-benefit analysis and submitting the analysis to the OEB for independent review and objective evaluation, the Ministry directed the OEB to develop the implementation plan and project the costs associated with implementation.

The *Energy Statute Law Amendment Act, 2016*, proclaimed into force on July 1, 2016, changed the electricity planning process in Ontario. Under the new legislation, the Ministry is responsible for developing and updating Long-Term Energy Plans for Ontario while the OEB is responsible for preparing an implementation plan when the Ministry requests it. In other words, the Ministry will not implement this recommendation because the new long-term energy planning process does not enable OEB to review and approve the Ministry's plans as an independent regulator.

- *consider different scenarios or alternatives as part of the planning process to assess possible risks and uncertainties; and*
  Status: In the process of being implemented by mid-2017.

Details

In our 2014 audit, we found that many other jurisdictions, including British Columbia, Germany, Great Britain and Australia, all assessed the cost-effectiveness and feasibility of smart-meter programs before implementing them. Compared to these other jurisdictions, the implementation of smart metering in Ontario was without a proper cost-benefit analysis, including an assessment of the risks and costs associated with the project.

During our follow-up, we found that the Ministry has considered different scenarios, possible risks and uncertainties in the development of the smart grid. In fall 2014, the Ministry commissioned a study that identified and evaluated three different deployment scenarios and their potential barriers. This study will help the Ministry make decisions on the policy framework and tools needed to best

support the development of the smart grid, and to maximize benefits and minimize risk for Ontario.

With respect to planning for the energy sector, the *Energy Statute Law Amendment Act, 2016* requires the IESO to submit a technical report to the Ministry containing information on the adequacy and reliability of electricity resources with respect to anticipated electricity supply, capacity, storage, reliability and demand. The Ministry is required to develop the Long-term Energy Plan after thorough consideration of the technical report, different scenarios, and risks and feedback from public consultations. Subsequent to the new legislation that came into effect the Ministry has begun the development of the next Long-Term Energy Plan, which is to be finalized and released in mid-2017.

- *re-evaluate and update the implementation plan periodically to identify and respond to changing conditions and unforeseen events in the electricity market.*
  Status: Little or no progress.

Details

Our 2014 audit found that Smart Metering was implemented without sufficient periodic re-evaluation of Ontario's electricity supply and demand positions throughout the implementation period. As a result, the province maintained the aggressive implementation timelines and approved significant new increases in power generation capacity even though the demand for electricity fell in 2016.

The new *Energy Statute Law Amendment Act, 2016* also requires the Ministry to periodically issue a Long-Term Energy Plan that sets out the government's goals and objectives for the energy sector, including adapting to changing market, technology and economic conditions. The Ministry is required to consult with consumers, distribution companies, generators, transmitters, and other stakeholders in the energy sector in developing the Long-Term Energy Plan. However, since the new legislation came into effect, the Ministry has not re-evaluated the Long-Term Energy Plan.

Billing Impacts on Electricity Charge to Ratepayers

Recommendation 2

To ensure that the combination of smart meters and time-of-use (TOU) pricing is effective in changing ratepayer electricity-usage patterns to reduce peak electricity demand and related infrastructure costs, and that ratepayers understand the impacts of TOU pricing on their electricity bills, the Ministry of Energy should work with the Ontario Energy Board and/or the distribution companies to:

- *evaluate TOU pricing design, including TOU rates, TOU periods and the allocation of the Global Adjustment across the three TOU rates;*
Status: In the process of being implemented by April 2021.

Details

Our 2014 audit found that the difference between the On-Peak and Off-Peak electricity rates was not significant enough as an incentive for ratepayers to reduce peak electricity demand. We also found that the distribution of TOU periods did not fully reflect actual patterns of electricity use. Because of the substantial growth of the Global Adjustment (an extra charge mainly to cover the gap between the guaranteed prices paid to contracted power generators and the electricity market price), the On-Peak-to-Off-Peak ratio dropped from three-to-one in 2006 to 1.8-to-one in 2014, meaning that On-Peak power cost 1.8 times as much as Off-Peak at the time of our last audit.

Subsequent to our audit, on November 16, 2015, the OEB completed an extensive review of the TOU pricing design and increased the ratio between On-Peak and Off-Peak to a minimum of 2:1. The OEB has also released a report that set out a multi-year plan that will redesign the electricity pricing structure. The five actions included in the multi-year plan are as follows:

1. update the pricing plan's objectives, including a greater focus on peak demand reduction;

2. improve consumers' understanding of the TOU program and how to effectively respond to TOU pricing;
3. conduct pricing pilots to determine an optimal pricing structure;
4. engage low-volume business consumers to discuss TOU concerns; and
5. work with the government to reduce regulatory barriers that limit OEB's ability to change the TOU periods and the allocation of Global Adjustment.

The OEB has already incorporated new objectives into its pricing plan (action 1). It was in the process of implementing the remaining four actions. For example, the OEB has retained a consultant to assist with the redesign of its consumer website (to be completed by early 2017), to help consumers better respond to TOU pricing and manage their energy consumption (action 2). The OEB also engaged an expert to help set up pricing pilots to assess options for new TOU designs (action 3). And, in an effort to widen the difference between On-Peak and Off-Peak rates, the OEB changed the way the Global Adjustment is allocated across the three TOU rates (action 5). As a result, the On-Peak rate was more than two times higher than Off-Peak rate at the time of our follow-up.

Throughout 2017 and 2018, the OEB will be implementing pilots to assess the different pricing and non-pricing mechanisms. The OEB estimated that it will take about three to five years to fully implement the redesign of the electricity pricing structure.

- *monitor trends in ratepayer electricity consumption to evaluate the effectiveness of TOU pricing over time; and*
Status: In the process of being implemented by December 2018.

Details

The distribution companies that we consulted during our 2014 audit said they did not conduct studies to examine the changes in consumption after the

implementation of TOU pricing. Studies commissioned by the Ontario Power Authority (now the IESO) and the OEB concluded that TOU pricing had only a modest impact on reducing peak demand among residential ratepayers, a limited or unclear effect on small businesses, and no impact at all on energy conservation.

Subsequent to our audit, the IESO and OEB conducted three studies since 2014 to monitor trends in ratepayer electricity consumption and evaluate the effectiveness of TOU pricing over time.

In February 2016, the IESO published the results of a study indicating that residential customers showed clear patterns of shifting their electricity consumption from high- to low-peak periods, but little evidence of conservation. The magnitude of consumption-shifting, however, also appeared to diminish from 2012 to 2014, as people either shifted less of their usage to low-peak times, or they slowly reverted back to high-peak usage. Small businesses showed only marginal consumption-shifting behaviours and were less responsive to the TOU prices than residential customers.

The OEB commissioned a consumer researcher to gather evidence on consumer awareness about TOU. Key findings from the consumer research, completed in January 2015, were as follows:

- consumers have a moderate level of awareness of the TOU program;
- residential and business consumers displayed confusion and a lack of understanding about the electricity system in Ontario;
- many consumers do not understand the charges on their electricity bills;
- beyond knowing the names of the TOU periods, consumer awareness of the system falls off drastically; and
- even consumers who are aware of TOU pricing may still not understand when and how it works or what they need to do to reduce their electricity bills.

The OEB also commissioned another review to assess how consumers are responding to the current pricing structure in Ontario. The December 2014 review showed the following:

- the perceived or actual monthly savings from shifting energy consumption away from high-peak times may not be enough to encourage consumers to permanently change their household routines in a meaningful way;
- the behaviours required to shift from high- to low-peak hours are perceived as being too complex and time-consuming;
- automatic or routine behaviours are hard to change; even those who understand TOU pricing and intend to shift their consumption behaviours may not end up doing so because of scheduling hassles.

The OEB indicated to us that consumers' response to the TOU program can be improved by better educating them about TOU pricing. As such, the OEB has made consumer education one of its priorities. It is currently working with a newly established Consumer Panel to assess what information consumers need to understand the system. The OEB is also in the process of implementing pilot projects that focus on building consumer awareness.

- *disclose the components of the TOU rates (electricity market price and Global Adjustment) separately on electricity bills so that the impact of the Global Adjustment is transparent to ratepayers.*
  Status: Will not be implemented. The Office of the Auditor General continues to believe that this is a viable practice to increase both the awareness and transparency of the impact of the Global Adjustment to ratepayers.

Details

In our 2014 audit, we found that the impact of Global Adjustment on TOU rates was not transparent to ratepayers because it was embedded in the TOU rates on the electricity bills. We noted that the Global Adjustment charged to ratepayers had

increased significantly since 2006 and accounted for about 70% of each TOU rate in 2013.

The OEB has considered our recommendation, but decided not to implement it. The Global Adjustment is a component of the cost of electricity and is incorporated into the setting of TOU prices. OEB does not believe a breakdown of TOU prices would clarify pricing for consumers but likely to create more confusion. It does not think that showing the Global Adjustment as a separate line item will help consumers make decisions about electricity consumption and how to manage their electricity costs. Instead, it believes consumers are focused on their TOU usage when making decisions about how to reduce their electricity costs. Instead of showing the Global Adjustment as a separate line item on the electricity bill, the IESO publicly reports the Global Adjustment breakdown by business and consumer categories. It also indicated that it will conduct pilots to assess other changes to make the electricity bills easier to understand, including the following:

- renaming the TOU time periods;
- redesigning the visual presentation of TOU time periods;
- modifying the presentation of the electricity bill; and
- providing better information on different household appliances, such as the amount of electricity the appliance consumes, the cost of that electricity, and how use and costs can be managed under TOU pricing.

However, the OEB has limited ability to mandate changes to the electricity bills of low-volume consumers because they are governed by Ontario regulations. The OEB noted in its response that consumers have access to information regarding the cost of the Global Adjustment through IESO's publicly available market price website. The OEB's Regulated Price Plan Reports also provide details on estimates of the Global Adjustment costs and how those costs are allocated to the three TOU periods.

Our position is that these changes will not address our recommendation to increase awareness

of Global Adjustment among ratepayers and transparency of its impact on them.

Recommendation 3

To ensure that ratepayer concerns are addressed properly and in a timely manner, and that clear, timely and accurate bills are issued to ratepayers, the Ministry of Energy should work with the Ontario Energy Board, Hydro One and other distribution companies to:

- *improve tracking of the nature and details of ratepayer enquiries and complaints to identify and monitor common or recurring concerns;* Status: In the process of being implemented by December 2016.

Details

Our 2014 audit found that many distribution companies we consulted did not track enquiries and complaints separately, nor did they log the nature or type of complaints. As a result, they were unable to quantify the volume of complaints relating to Smart Metering before and after its implementation, and could not separate concerns about smart meters from those about billing.

At the time of our follow-up, the OEB had implemented processes for tracking and monitoring the concerns it received from energy consumers as part of its responsibility for protecting the interest of consumers. With respect to customer complaints to distribution companies, the OEB is going to require distribution companies to address consumer complaints within 10 business days and to maintain records of complaints. Once the new process becomes mandatory, distribution companies are required to report to the OEB on service quality metrics related to complaints and customer communications. This information will allow the OEB to assess the distributor companies' complaint handling practices and to identify trends in complaints that require further investigation.

- *better educate ratepayers about the impacts of time-of-use (TOU) pricing and other factors*

on electricity bills, as well as the root causes of potential metering or billing issues and what is being done to address them; and
Status: In process of being implemented by December 2018.

Details

Our 2014 audit found that ratepayers usually raised questions and concerns about Smart Metering by contacting the OEB and the distribution companies. Between 2008 and 2014, about two-thirds of customer enquiries and complaints received by the OEB questioned the TOU pricing structure and whether it would save them money. Those distribution companies that tracked the nature of complaints also reported that a majority of the concerns raised by ratepayers was related to TOU pricing.

As previously mentioned under Recommendation 2 (bullet 2), the OEB commissioned two consumer research studies that suggested consumers are still unsure about how TOU pricing works. The OEB indicated that by December 2018, it will implement the following actions:

- improve the electricity bill to clarify TOU pricing for consumers, such as modifying the presentation of the electricity bill and including better information on how the cost of operating household appliances can be managed; and

- redesign its consumer website to improve the delivery of useful information and tools to help consumers take full advantage of TOU pricing and manage their energy consumption and costs.

- *identify and fix any problems with their billing systems and local communication systems on a timely basis, and monitor the performance of those systems over time to reduce ratepayer complaints triggered by these problems.*
Status: In process of being implemented by December 2016.

Details

At the time of our 2014 audit, Hydro One (now Hydro One Inc.), Ontario's largest distribution company, was adapting to and working on some technical issues with its new billing system. This resulted in complaints about erroneous bills, prolonged estimated bills, delayed bills and other billing errors. In addition, some ratepayers did not receive any bills or received only estimated bills for extended periods because actual consumption data was not available given connectivity issues between the smart meters and associated local communication systems.

Subsequent to our audit, the OEB required Hydro One to develop plans and take corrective actions to fix the technical issues affecting its customer billing system and the smart-meter network. The OEB informed us that Hydro One fixed its billing problems and returned to normal collection operations in mid-2015.

To minimize billing errors in the future, the OEB also implemented the following new billing rules that require all distribution companies to:

- issue bills based on actual meter readings instead of estimates;

- stop disconnecting customers for an unpaid bill where all of the consumption was estimated;

- achieve a 98% billing accuracy score based on a new OEB performance measure calculation; and

- implement monthly billing instead of bi-monthly billing to their customers by no later than December 31, 2016.

Billing Impacts of Delivery Charge on Ratepayers

Recommendation 4

To ensure that the unanticipated costs incurred by distribution companies in implementing the Smart Metering Initiative are justified, and that significant cost variations among distribution companies are adequately explained, the Ontario Energy Board

should perform detailed reviews of distribution-company costs, including an analysis of cost variations for similar services among different distribution companies.

Status: Fully implemented.

Details

Our 2014 audit found that each distribution company negotiated with different vendors to procure systems for their regions. This resulted in significant differences in the costs incurred by distribution companies. Such wide variation was mainly due to geographical issues in service areas and the degree of upfront expenses, such as project-management and system-integration costs.

Since our last audit, the OEB has completed detailed reviews of all distribution company costs, including an analysis of cost variations for similar services among different distribution companies. Although the analysis found variations in smart meter costs among the distribution companies, the OEB's adjudication process found these cost variations to be reasonable and approved them.

Recommendation 5

To improve cost-efficiency of the distribution companies and reduce variations in distribution companies' costs, the Ministry of Energy, in conjunction with the Ontario Energy Board, should formally conduct a cost-benefit analysis into consolidating distribution companies as recommended by the Ontario Distribution Sector Review Panel.

Status: Will not be implemented. The Office of the Auditor General continues to believe that the Ministry should formally conduct a cost-benefit analysis into consolidating distribution companies to improve cost-efficiency of, and to reduce cost variations in, distribution companies.

Details

Our 2014 audit found that ratepayers pay significantly different amounts for the same power usage depending on where they live in Ontario and which distribution company provides the service. The Ontario Distribution Sector Review Panel,

established by the Minister of Energy, made a recommendation to merge the existing distribution companies into eight to 12 larger ones. The mergers were expected to help reduce sector-wide operating costs by 20% in areas such as customer service, billing, facilities maintenance and administration.

During our follow-up, the Ministry advised us that although the government will not legislate or force consolidation within the distribution sector, it has created incentives for voluntary consolidation. In June 2015, the Ontario government announced a time-limited relief on taxes pertaining to transfers of electricity assets, such as transactions involving the merger or acquisition of distribution companies. Between January 1, 2016, and December 31, 2018, the provincial transfer tax rate of local distribution companies will be reduced from 33% to 22%, and distribution companies with fewer than 30,000 customers will be completely exempt from paying transfer taxes.

Recommendation 6

To ensure that any future project is implemented cost-effectively and in compliance with sound business practices, Hydro One should review and improve its contracting and procurement activities, such as retaining adequate documentation to justify vendor selection and evaluation and acquiring enough knowledge about a project's business requirements before issuing a Request for Proposal, to minimize the risks of significant contract-cost increases.

Status: No longer applicable. Hydro One (now Hydro One Inc.) ceased to be an agency of the Crown following passage of the *Building Ontario Up Act, 2015* on June 4, 2015. As a result, our Office no longer has the authority to do audit or follow-up work on Hydro One Inc.

Details

Our 2014 audit noted that the smart-meter project management and system-integration costs incurred by Hydro One were significantly high compared to other distribution companies. We identified areas where Hydro One could improve its contracting and procurement practices.

In February 2016, our Office formally requested Hydro One Inc. (previously Hydro One) to report back on the status of its actions taken to address our recommendation. In response to our request, Hydro One Inc. notified our Office that it will not participate in our follow-up work. Since the government passed the *Building Ontario Up Act, 2015*, under which Hydro One Inc. and its subsidiaries are not agencies of the Crown, Hydro One Inc. is not required to participate in this follow-up. Without receiving any status updates from Hydro One Inc., our Office was not able to assess and report on the status of this recommendation.

Smart-Meter Data Processing Systems and Costs

Recommendation 7

To ensure that ratepayers are not burdened with the duplicated and ongoing costs of system development and integration, the Ministry of Energy should work with the Independent Electricity System Operator (IESO), the Ontario Energy Board (OEB) and the distribution companies to re-evaluate options around operating the provincial data centre and/or having separate local systems at individual distribution companies in order to determine the cost-effectiveness of various options and avoid continued duplication of systems and costs.

Status: Little or no progress.

Details

The government designated the IESO as a Smart Metering Entity with an exclusive authority to operate a provincial data centre to collect, analyze and store smart-meter data; and to calculate electricity usage so that distribution companies can bill their customers using TOU pricing. However, our 2014 audit found that most distribution companies were using their own systems to process smart-meter data, resulting in duplication of systems and costs.

At the time of our follow-up, we found that the Ministry has made little progress in reducing the duplication of smart-meter processing costs.

The Ministry did not re-evaluate options around operating the provincial data centre and/or having separate local systems at individual distribution companies in order to determine their cost-effectiveness and avoid continued duplication of systems and costs. The Ministry indicated that if local distribution companies are duplicating the functionalities of the provincial data centre, they are acting contrary to government regulation.

We noted the same issue we raised in 2014 where a large distribution company, with about 700,000 smart-meter customers, was not transmitting any data to the provincial data centre although their customers were charged the 79¢-a-month fee. Although this company has obtained approval from the OEB to fully integrate with the provincial data centre and has agreed to start using the provincial data centre to process TOU bills by September 2017, we found that ratepayers of this distribution company have continually paid for the monthly charge, totalling about $20.9 million as of mid-2016 (up from $7.7 million at the time of our 2014 audit), for a data centre the company has yet to start using.

The OEB issued an order in 2016 requiring IESO to implement more robust data gathering from smart meters and distribution companies. The IESO, in consultation with the Office of the Information and Privacy Commissioner of Ontario, is to develop an implementation plan to allow third-party access to depersonalized smart-meter data. This third-party access is intended to enable more detailed analysis of consumption across the province, with the resulting information used to support rate design, regional electricity planning and conservation initiatives.

Recommendation 8

To ensure that any future province-wide project involving the complex electricity distribution sector is implemented cost-effectively, the Ministry of Energy should work with the relevant electricity sector organizations to set appropriate and reasonable implementation targets and timelines in order to

minimize the costs and risks associated with system development and integration for numerous distribution companies.

Status: Little or no progress.

Details

In 2014, we found that the Ministry set tight and aggressive timelines for implementing TOU pricing. In particular, 40 out of 73 distribution companies applied for extensions to their mandated implementation dates because of operational or technical problems, including delays in integrating with the provincial data centre and data-quality issues with certain smart meters.

The Ministry acknowledged the importance of planning and consulting with various stakeholders before implementing any major initiatives in the future. The new energy planning process requires the Ministry to consult with various stakeholders in developing the next Long-Term Energy Plan, which is expected to be released by the Ministry in mid-2017. Although the IESO and OEB will develop and submit implementation plans to the Ministry for review, it is unknown at the time of this follow-up whether or not the specific targets and timelines are appropriate and reasonable.

Smart-Meter Data Accuracy and Quality

Recommendation 9

To ensure the accuracy, quality and usefulness of smart-meter data, the Independent Electricity System Operator should:

- *work with the distribution companies to review the limitations and the billing problems associated with the provincial data centre and the distribution companies' business processes, including improving the procedures of processing smart-meter data during meter replacements and power blackouts, as well as enhancing the data retrieval and querying capability of the provincial data centre; and*

Status: In the process of being implemented by December 2016.

Details

At the time of our 2014 audit, we found several shortcomings in the way the provincial data centre processed smart-meter data (such as limited capabilities for data retrieval and querying), as well as in the business processes of the distribution companies. These limitations had affected the quality and usefulness of smart-meter data.

Subsequent to our audit, the IESO added a new feature to the provincial data centre whereby distribution companies can view summarized statistics on key smart-meter data in real time. This allows the distribution companies to identify issues and correct them as needed. The IESO had provided training for distribution companies on how to use this new feature and to generate correct billings during meter replacements and power blackouts in order to minimize billing errors.

The IESO has also developed and is implementing (by end of 2016) an enhanced data retrieval capability to support the increasing volume and variety of ad-hoc query and data extract requests at the provincial data centre. When the enhanced capability is fully implemented, distribution companies should be able to retrieve larger volumes of data for longer periods and further back in time. In addition, distribution companies should be able to extract data much more quickly than before.

- *educate the distribution companies about the proper business processes that have to be followed.*

Status: Fully implemented.

Details

In 2014, we reported that some distribution companies did not follow the required business processes to submit time-of-use data to the provincial data centre, compromising the quality and completeness of the data submitted.

Subsequent to our audit, the IESO provided classroom training to distribution companies on the

business processes they should follow when submitting consumption data to the provincial data centre in order to minimize billing errors. To complement these training sessions, the IESO also developed a repository of interactive, web-based training materials that distribution companies can access at their convenience. At the time of our follow-up, 19 courses had been created and accessed more than 200 times by more than 60 unique users from distribution companies.

Smart-Meter Security and Safety Risks

Recommendation 10
To ensure that smart-meter data is processed and stored securely, the Independent Electricity System Operator should work with the distribution companies to improve their system and data-security controls in order to prevent and detect unauthorized access to smart-meter data.
Status: Fully implemented.

Details
Our 2014 audit found that improvements could be made to smart-meter data security at the provincial data centre and at the distribution-company level. Smart-meter data could reveal information about customers' daily routines and changes in those routines. As a result, electricity-use patterns could be mined, for example, for marketing and advertising purposes.

Subsequent to our last audit, the IESO and the Information and Privacy Commissioner of Ontario jointly developed a privacy and security framework for the provincial data centre. This framework includes steps to ensure that only local distribution company users and their authorized third-party vendors are able to retrieve smart-meter information.

In November 2015, the IESO received its sixth consecutive annual clean audit by an independent external audit firm that examined the Meter Data Management and Repository's operations,

processes and procedures. The audit confirmed that appropriate controls are in place at the IESO. It also described the controls that should be in operation at local distribution companies to prevent and detect unauthorized access to smart-meter data.

The IESO also recently introduced the following measures to help local distribution companies manage their users' access to the provincial data centre:
- distribution companies must respond to a security question they have previously created when requesting the IESO grant a new user access to the provincial data centre;
- distribution companies must review their users' accounts annually and notify the IESO of any changes required in a timely manner; and
- two webinar sessions were recorded to educate local distribution companies about their responsibilities for establishing security controls within their own organizations to complement those in place at the IESO. The webinars are available at any time to local distribution companies through the Smart Metering Entity's secure on-line information centre.

Recommendation 11
To ensure that potential fire risks of smart meters are addressed appropriately and in a timely manner, the Ministry of Energy should work with relevant entities, such as the distribution companies, the Office of the Fire Marshal and the Electrical Safety Authority, to track and monitor information on smart meter-related fire incidents so as to identify and understand their causes in Ontario.
Status: In the process of being implemented by December 2016.

Details
In our 2014 audit, we found instances of Ontario ratepayers reporting fires arising from smart meters. However, no accurate or complete information on smart meter-related fires was available in Ontario. Insufficient tracking and monitoring of

smart meter-related fire incidents made it difficult to determine the scope and extent of the problem across the province, creating safety risks in Ontario.

During our audit field work in 2014, the Electricity Safety Authority (ESA), the agency responsible for enhancing public electrical safety in Ontario, started reviewing smart meter-related fire incidents in Saskatchewan to determine if there could be any concern for Ontario. Subsequently, the ESA ordered the distribution companies to remove a specific type of meter because of the potential fire risk. Approximately 5,110 smart meters have since been removed. In July 2015, the ESA issued its final review report, which concluded that there was no systemic safety risk with any other meter model or design currently used in Ontario. The report also included a recommendation for mandatory reporting of electrical safety incidents involving utility assets, which is currently done by distribution companies on a voluntary basis. The ESA is currently consulting the public on the proposed changes to legislation that would require utilities to report smart-meter incidents, and their final recommendations are expected to be considered or implemented by December 2016.

Ministry of the Environment and Climate Change

Source Water Protection

Follow-Up on VFM Section 3.12, *2014 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	1		1		
Recommendation 3	1		1		
Recommendation 4	1		1		
Recommendation 5	3		2	1	
Recommendation 6	1	1			
Recommendation 7	1	1			
Recommendation 8	1			1	
Recommendation 9	3	2	1		
Recommendation 10	2	1		1	
Total	**17**	**7**	**7**	**3**	**0**
%	**100**	**41**	**41**	**18**	**0**

Background

Ontario borders four of the five Great Lakes, which provide drinking water to over 75% of the province's population. Of the remainder, 1.6 million people depend on private wells that draw water from underground aquifers, while the rest get their drinking water from more than 250,000 inland lakes and 500,000 kilometres of rivers and streams.

In May 2000, seven people died and more than 2,300 became ill in the Bruce County town of Walkerton when its drinking water system became contaminated with deadly bacteria from manure that had been spread on a nearby farm. The town's water-treatment plant had failed to remove this contamination.

After the outbreak, the Province established the Walkerton Commission Inquiry (Inquiry) to report on the cause of the contamination and recommend measures to protect sources of drinking water across the province. In 2002, the Inquiry recommended that source water protection plans be developed for each watershed in the province.

In response, the province enacted the *Clean Water Act* (Act) in 2006 to protect existing and future sources of drinking water. The Act and its regulations required that source water protection plans address 21 specific threats to drinking water sources. These threats include waste-disposal sites, sewage systems, commercial fertilizers and pesticides, and road salt.

After the Act was proclaimed, the Ministry of the Environment and Climate Change (Environment Ministry) designated 19 source water protection regions in the province, and established a Source Protection Committee in each to develop source water protection plans. These plans outline policies designed to reduce or eliminate threats to sources of drinking water.

The *Nutrient Management Act,* although not a direct response to Walkerton, also serves to protect drinking water sources by seeking to manage agricultural nutrients such as manure, fertilizer, compost and sewage. Under the *Nutrient Management Act*, large livestock farms that produce significant quantities of manure (300 nutrient units per year, equivalent to manure from roughly 1,800 hogs) must have plans to manage nutrients stored on their properties or spread on fields. These plans must be developed by individuals certified by the Ministry of Agriculture, Food and Rural Affairs (Agriculture Ministry), which is also responsible for approving the nutrient management plans. The Environment Ministry is responsible for enforcing the *Nutrient Management Act*.

At the time of our audit in 2014, we noted that 14 years after the crisis in Walkerton, source water protection plans were still not in place to ensure a first level of defence for drinking water in Ontario. Factors that contributed to this included:

- The Ministry did not have a clear time frame in which to approve source water protection plans. At the time of our audit, the Ministry had approved only three of the 22 source water protection plans that had been developed. In addition, seven of the 22 plans submitted to the Ministry were incomplete because they did not include water budget studies to identify threats to water quantity within their region.
- The Ministry lacked a long-term strategy to ensure that municipalities and Conservation Authorities had the funding to implement the plans once approved, and that the plans remained current.

We also noted the following weaknesses in the source water protection plans:

- The plans did not address all potential threats, including those posed by spills from industrial and commercial facilities, to drinking water intakes in the Great Lakes.
- Private wells or intakes that serve single residences were excluded from source water protection planning. For the estimated 1.6 million Ontarians who get their drinking water from private wells, protecting source water is the only line of defence.
- The plans did not address the risks posed by abandoned wells to groundwater. A study estimated that Ontario has 730,000 abandoned wells, many of which may not have been decommissioned properly.

We also noted that since passage of the *Nutrient Management Act* in 2002, phosphorous and nitrogen contamination has continued to grow in the province's agricultural watersheds. Non-compliance with the *Nutrient Management Act*, and the Ministry's weak enforcement, increased the risk that source water is not effectively protected. In this regard, we found that:

- Only a limited number of farms that produce and use manure were required to comply with the *Nutrient Management Act* and its regulations. For example, the farm that was the source of contamination in Walkerton would not have been captured by the Act because it was too small.
- Neither the Environment Ministry nor the Agriculture Ministry had information on the total number of farms that produce manure and need to manage it in accordance with

the Act. Both ministries relied on education and outreach to ensure that farms self-report whether they meet the conditions in the regulations under the Act.

● In 2013/14, the Environment Ministry inspected only 3% of the farms that were known to be subject to the Act's regulations for the proper storage and application of manure. Where non-compliance was identified, the Ministry often did not follow up, and it rarely imposed punitive measures.

Lastly, we noted that the Ministry was only recovering about $200,000 of the $9.5 million in direct annual program costs attributable to industrial and commercial facilities that take water for use in their operations. The low cost-recovery rate was due to the low fees paid by the limited number of companies drawing large volumes of water. At the time, 60 industrial and commercial users paid only $3.71 for every million litres that they drew.

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

Status of Actions Taken on Recommendations

According to information we received from the Environment Ministry, some of the recommendations in our *2014 Annual Report* have been implemented by it and by the Agriculture Ministry.

For example, the Environment Ministry has approved all 22 source water protection plans developed for the province's 19 source water protection regions. The Environment Ministry has also identified all remaining municipalities that were eligible to receive one-time funding to help implement the policies in source protection plans. In addition, in the spring of 2016, the Environment Ministry signed funding agreements with all 19 Source Pro-

tection Committees to help them provide support to municipalities for plan implementation.

With regard to the administration of the *Nutrient Management Act*, the Agriculture Ministry has gathered information on the number of farms in the province that had to manage the storage and application of manure in accordance with the Act. Using this data, the Environment Ministry began using a risk-based approach in 2015/16 to select farms for inspection.

We also noted that progress has been made on many of the recommendations. For example, 11 of the 17 water budget studies that were outstanding at the time of our audit have since been completed. These water budget studies help determine how much water is available for human use while ensuring there is also enough left to support natural processes. In addition, the Environment Ministry is currently in the process of:

● updating its technical framework for assessing the significance of threats to drinking water intakes;

● reviewing the regulations and sections of the *Ontario Water Resources Act* that pertain to wells to determine what changes are needed to, for example, ensure that abandoned wells are decommissioned properly; and

● assessing the feasibility of using new administrative monetary penalties as punitive measures when inspections identify violations.

Three recommendations will take more time to fully address, specifically those aimed at:

● considering the feasibility of requiring source water protection plans to address threats to sources of water that supply private wells;

● phasing in remaining farms in Ontario that generate or apply nutrients so that they also must adhere to the requirements of the *Nutrient Management Act*; and

● updating the Ministry's water-taking charges to improve cost recovery.

The status of actions taken on each of our recommendations is described in the following sections.

Delays in Source Water Protection Plan Approval and Implementation

Recommendation 1

To ensure that source water protection plans are reviewed, approved and implemented in a timely manner, the Ministry of the Environment and Climate Change should:

- *internally set a firm commitment of when plans should be approved and then review its current staffing of key personnel responsible for reviewing and approving plans to ensure it is sufficient to meet the commitment;*
  Status: Fully implemented.

Details

During our 2014 audit, we noted that 22 source water protection plans had been developed by the Source Protection Committees for the province's 19 regions. However, only three of the 22 plans had been approved by the Ministry. At the time, the Ministry stated that its goal was to have all plans approved by the end of 2015. Following our audit, the Ministry developed a strategy with established timelines and resources for the timely approval of each plan. All 22 source water protection plans were approved as of December 2015.

Seven Regions Lacked Water Budget Studies Needed to Complete Their Source Water Protection Plans for Approval

- *work with Source Protection Committees to ensure that outstanding water budget studies are completed and submitted as soon as possible; and*
  Status: In the process of being implemented by March 2017.

Details

The *Clean Water Act* requires source water protection plans to address threats to both water quality and quantity. Water quantity threats were identified in 12 of the 19 regions, which required those regions to conduct a more detailed water budget study to assess the significance of the threat. Water budget studies help determine how much water is available for human use while ensuring there is enough left to support natural processes.

At the time of our audit in 2014, we noted that seven of the 12 regions that had to conduct water budget studies had not submitted 17 studies for their regions.

At the time of our follow-up, six water budget studies from three regions had not yet been submitted to the Ministry. The Ministry had already approved the source water protection plans for these regions between April 2015 and July 2016. The Ministry informed us that it had approved the plans because preliminary water budgets had been completed to assess water quality stress levels in the watersheds within these regions. Detailed water quantity risk assessments and water budget studies from these regions must be submitted to the Ministry between December 2016 and March 2017. The Ministry expects the results of the water budget studies to be incorporated into source water protection plans by November 2018.

Funding Uncertainty for Implementation of Policies in Source Protection Plans

- *in consultation with municipalities and Conservation Authorities, devise an approach to fund the implementation of many of the policies within the plans once the plans are approved.*
  Status: Fully implemented.

Details

The 22 source water protection plans approved by the Ministry contain over 12,500 policies designed to reduce or eliminate threats against sources of drinking water. Municipalities and Conservation Authorities are responsible for implementing about two-thirds of these policies. At the time of our

2014 audit, the Ministry did not have a long-term strategy to address funding of municipalities and Conservation Authorities to ensure that source water protection plans were properly implemented once approved.

In the spring of 2016, the Ministry signed capacity funding agreements to provide amounts ranging from $43,000 to $1.6 million in 2016/17 to all 19 Source Protection Committees to support the implementation of the source protection plans. The funding is intended to help the Committees provide technical advice to municipalities on issues such as policy interpretation, provide training related to the policies, and facilitate municipal working groups to resolve issues.

The Ministry stated that municipalities and Conservation Authorities generally have to implement the policies in the source water protection plans within three years of the plans coming into effect. To help Source Protection Committees provide support during the implementation of the policies, the Ministry plans to continue to provide funding until 2017/18.

Recommendation 2

In the longer term, the Ministry of the Environment and Climate Change, in conjunction with Source Protection Committees, should develop a strategy that addresses timely updates of the plans to ensure that local threats to source water, and policies that eliminate or mitigate the threats, remain current.
Status: In the process of being implemented by December 2016.

Details

Municipalities and Conservation Authorities are responsible for updating the source water protection plans to ensure that they remain current. At the time of our 2014 audit, the Ministry did not have a long-term strategy for timely updates of the plans.

The *Clean Water Act* requires that, when a source water protection plan is approved, an order must also be given that governs the review of the plan.

Since our audit, the Ministry has issued orders to all Source Protection Committees requiring them to review and update their source water protection plans by specified dates—usually within three years after the source protection plans come into effect.

Twenty of the Source Protection Committees were ordered to submit work plans to the Ministry describing the steps they will take to review the plans, including which portions of the plans will be reviewed, the rationale and time frames for each step of the review, as well as the public consultation that will be undertaken for the review. The first two work plans must be submitted to the Ministry by November 2017. Fifteen more are due by November 2018, and the last three are due by November 2019.

The Ministry is developing a guidance document to help the Source Protection Committees prepare these work plans. At the time of the drafting of this report, the Ministry expects to finalize the guidance document by December 2016.

The Ministry's strategy is to assign the work plans on a first-come, first-served basis to one of four staff responsible for reviewing them. The Ministry will re-assess this strategy if the reviews are not completed in a timely manner. At the time of our follow-up, the Ministry had not assessed whether four staff would be enough to review the 15 work plans expected in November 2018; nor had it established a time frame by which the plan reviews must be completed.

For the two Source Protection Committees that are not required to submit a work plan, their source water protection plans will be reviewed when the region's Official Plans, which describes land-use planning policies, are reviewed in 2018 and 2019.

Ministry Framework Does Not Identify All Significant Threats to Source Water

Recommendation 3

To strengthen source water protection and better ensure all significant threats are identified and

addressed, the Ministry of the Environment and Climate Change should ensure that the data and assumptions used in its framework for assessing the significance of threats to drinking water intakes in the various regions of the province are current and properly enable significant threats to be classified as such.
Status: In the process of being implemented by January 2017.

Details

When developing and updating source water protection plans, Source Protection Committees use the Ministry's framework of technical rules to assess the significance of threats to drinking water.

At the time of our 2014 audit, Source Protection Committees and Conservation Authorities informed us that the Ministry's framework was outdated, and did not allow them to sufficiently classify threats as significant. For example, threats related to petroleum products transported in pipelines, transportation of hazardous substances across or near surface water, application of road salt, and storage of snow could not be assessed as significant using the Ministry's current framework.

The Ministry held four formal discussions with Source Protection Committee chairs and Conservation Authorities from October 2014 to March 2016 to determine what changes are needed to its framework. Based on those discussions, the Ministry developed a list of proposed changes that will, for example, allow Source Protection Committees to assign vulnerability scores for large bodies of water and introduce a new method for assessing the risk from the use of road salt.

As required under the *Environmental Bill of Rights*, the Ministry posted the updated technical framework on the Environmental Registry for public review in September 2016. Once the public consultation process is completed, the Ministry expects the updated framework to be finalized by January 2017.

In addition, in April 2016, the Ministry developed a Standard Operating Procedure for ongoing identification of emerging issues. The procedure document calls for Ministry staff to record any potential and emerging threats identified in their review of source water protection plans, annual progress reports, work plans, and other reports from Source Protection Committees. At the time of our follow-up, the Ministry had not recorded any such threats.

Source Protection Plans Do Not Address All Potential Threats to Drinking Water Intakes in the Great Lakes

Recommendation 4

To ensure that source water protection plans address all potential threats to drinking water intakes in the Great Lakes, the Ministry of the Environment and Climate Change should work with the relevant Conservation Authorities and Source Protection Committees to complete an inventory of all conditions and near-shore activities that pose a threat to the intakes, assess the conditions, and incorporate into the protection plans ways of dealing with these threats.
Status: In the process of being implemented by November 2019.

Details

During our 2014 audit, Conservation Authorities informed us that only one of the 154 intakes in the Great Lakes was significantly deep and far offshore enough to not be susceptible to unsafe levels of contamination. Source Protection Committees and Conservation Authorities conducted modelling exercises for eight regions where Great Lake intakes exist to determine whether contaminants can reach water intakes at levels high enough to pose a threat to human health. The exercises confirmed that there is in fact a potential for elevated levels of contaminants to reach drinking water intakes in the Great Lakes.

In the spring of 2016, the Ministry began investigating possible sources of information to complete this inventory. One such source is the database of municipal, private and industrial sewage systems

and waste disposal sites from the Ministry's environmental approvals program. The Ministry has compiled a list of sites located within the near-shore boundary. In September 2016, the Ministry provided this list—including maps of their locations—to Source Protection Committees to be used when updating their source water protection plans.

Source Water Protection Plans Do Not Address Risk That Abandoned Wells Pose to Groundwater Sources

Recommendation 5

To strengthen source water protection, the Ministry of the Environment and Climate Change should consider the feasibility of requiring source protection plans to identify and address threats to sources of water that supply private wells and intakes and threats that abandoned wells may pose to sources of groundwater.
Status: Little or no progress on recommendation regarding private wells. Recommendation regarding abandoned wells is in the process of being implemented by spring 2017.

Details

Under a regulation of the *Clean Water Act*, source water protection plans do not have to address threats to sources of water that feed private wells and intakes. During our 2014 audit, we noted that 36% of the 166,000 private-well water samples that were tested by Public Health Ontario in 2013 tested positive for bacteria, including E. coli. Water from these wells that tested positive for bacteria would be regarded as unsafe if private wells were held to the same standards as public drinking water.

At the time of our audit, the Ministry informed us that its focus is on larger drinking water systems, such as the municipal drinking water systems that serve over eight million Ontarians. In addition, the Act authorizes municipalities—provided that the municipal council signs a resolution—to include private wells that serve six or more residences to their source water protection plans. At the time of

our follow-up, the Ministry had determined not to fund municipalities that decide to do so.

Private well owners are responsible for maintaining and decommissioning wells. With regard to abandoned wells, we noted in our 2014 audit that an estimated 730,000 wells have been abandoned in Ontario, and many may not have been properly decommissioned. Abandoned wells that have not been properly decommissioned pose a risk to groundwater because they provide open pathways to aquifers, and bypass the natural filtration provided by the different layers of the earth.

In December 2014, the Ministry began reviewing regulations and sections of the *Ontario Water Resources Act* that pertain to private wells. The Ministry's legislative review identified issues related to the following:

- lack of licensing requirement for individuals who decommission wells;
- lack of insurance requirements for abandonment activities; and
- lack of clarity regarding technical aspects related to abandoning a well.

The Ministry is currently developing a proposal to address these issues. The proposal will include recommended options for policy and program changes, timelines and resource needs. The Ministry expects to post the proposed changes on the Environmental Registry in spring 2017 to solicit public input.

As well, in conjunction with the Ministry of Health and Long-Term Care and public health units, the Ministry should put mechanisms in place to notify private well owners when bacterial and chemical levels are known to exceed acceptable levels in their area.
Status: In the process of being implemented by December 2016.

Details

At the time of our 2014 audit, there were no mechanisms in place to notify private-well owners when chemical levels in groundwater exceeded acceptable levels. We noted that in 2013, 31 well locations

contained chemical levels—mainly fluoride and nitrate—that exceeded acceptable drinking water standards by an average of nearly 30%.

In summer 2015, the Environment Ministry and the Ministry of Health and Long-Term Care (Health Ministry) created an advisory group made up of representatives from the local public health units, Conservation Authorities and Ministry staff to review the current notification processes. The Health Ministry and Public Health Ontario are using the results of the advisory group's review to inform new guidance on notification procedures for private-well owners under the Ontario Public Health Standards and Protocols. In September 2016, the Health Ministry distributed a draft of this guidance document to members of the advisory group for review and feedback.

In addition, the Environment Ministry is developing a set of fact sheets for use by local public health units. These fact sheets contain information on contaminants that pose threats to private well-water quality, and are expected to be finalized by December 2016.

Some Eligible Municipalities Left Out of One-Time Funding for Source Protection Plan Implementation

Recommendation 6
To better ensure that any future funding to municipalities for the implementation of source protection plans is allocated fairly to achieve intended objectives, the Ministry of the Environment and Climate Change should ensure all eligible municipalities are identified before distributing funds.
Status: Fully implemented.

Details
In 2013, the Ministry received one-time approval to provide $13.5 million over three years to eligible municipalities to help them implement source water protection plans. The Ministry distributed the amount through the Source Protection Municipal

Implementation Fund, which provided grants between $18,000 and $100,000 to eligible municipalities based on a formula that considered the number of threats identified in the source water protection plans.

In our 2014 audit, we noted that the Ministry had committed the entirety of the funds to 189 eligible municipalities before all municipalities had finished verifying the threat counts. As a result, other eligible municipalities received no funding because all the funds had already been allocated to the 189 municipalities.

After our audit, the Ministry identified 11 additional municipalities that were eligible for funding, and allocated an additional $466,000 to them in 2015/16, with a further $404,000 planned for 2016/17. The Ministry confirmed with Source Protection Authorities that no other municipalities were eligible for funding. The Ministry also extended the program's original expiry date by one year, to March 31, 2017.

Many Farms in the Province Do Not Have to Adhere to the *Nutrient Management Act* and Its Regulations

Recommendation 7
To better ensure that the objectives of the Nutrient Management Act *are being met, the Ministry of the Environment and Climate Change, together with the Ministry of Agriculture Food and Rural Affairs, should develop an approach to gather information on the total number of farms in the province that need to manage nutrients in accordance with the* Nutrient Management Act *and its regulations.*
Status: Fully implemented.

Details
At the time of our 2014 audit, neither the Environment nor the Agriculture ministries had information on the number of farms that produce more than 300 nutrient units of manure and would therefore have to comply with the *Nutrient Management*

Act. We noted that both ministries relied on education and outreach activities to ensure that farms self-reported whether they met the conditions set out in the Act.

Starting in July 2015, the Environment and Agriculture ministries formed a working group to identify the number of unreported large livestock farms in Ontario that need to manage nutrients in accordance with the *Nutrient Management Act*. The working group used the most recent Statistics Canada census data from 2011 to validate the number of large livestock farms already in the Agriculture Ministry's records that have self-reported and prepared nutrient management plans.

The Agriculture Ministry's analysis of the 2011 census data indicated that there are 1,149 large livestock farms currently operating in Ontario, or 71 more than the 1,078 that have self-reported and prepared nutrient management plans. The Agriculture Ministry had expected differences because the two data sets were based on different time frames and units of measurement. Specifically, the 2011 census data classified farms by the number of animals, while the Ministry records classified farms by nutrient units. Given these differences, the Agriculture Ministry concluded that there was insufficient evidence to warrant a concern that a significant number of farms have not self-reported, and therefore, no further action was needed to determine whether the 71 farms met the conditions outlined in the Act.

Moreover, farms that must comply with the Act will be identified when they apply for a municipal building permit for their manure storage facilities or barns. Municipalities must consider the requirements under the Act when issuing the building permits.

Recommendation 8

The Ministry of the Environment and Climate Change, in conjunction with the Ministry of Agriculture, Food and Rural Affairs, should phase-in the remaining farms in Ontario that generate or apply nutrients so that they also must adhere to the requirements of the Nutrient Management Act *and its regulations.*
Status: Little or no progress.

Details

Some regulatory requirements under the *Nutrient Management Act* apply only to large livestock farms that produce over 300 nutrient units of manure, so many smaller farms are not covered. For example, the farm that was the source of the contamination in Walkerton's drinking water generated only about 60 nutrient units of manure, and so would not have been subject to the Act.

During our 2014 audit, we calculated—based on the Statistics Canada census data from 2011—that 1.8 million nutrient units were produced in Ontario annually, but that nutrient management plans were required for only 800,000 units.

In addition, the regulatory requirements under the *Nutrient Management Act* apply only to farms that have livestock. However, many farms without livestock use manure as crop fertilizer. Our 2014 audit determined that commercial fertilizer was applied to approximately 2.4 million hectares of farmland in Ontario, but only 250,000 hectares were covered by the Act.

In response to our recommendation in 2014, the Environment and Agriculture ministries stated that if nutrients are used in significant risk areas, farming activities, regardless of size, are captured under the *Clean Water Act*. Since early 2016, both ministries have been in consultation to determine whether applying the *Nutrient Management Act* to additional farms would enhance protection.

At the time of our follow-up, the ministries had not decided whether to expand the scope of the Act. The Ministries are examining various mechanisms (including amendments to regulatory requirements) to address risks posed by farm contaminants such as phosphorus. For example, in 2016, Canada and the United States established a target to reduce phosphorus levels entering Lake Erie by 40% as part of the Great Lakes Water Quality Agreement, which involves all levels of government. The

ministries are considering how risks posed by farm contaminants can be addressed through actions to support the targets. In October 2016, the Environment Ministry posted its proposed actions on the Environmental Registry for public review. The actions included working with the agriculture sector to enhance its outreach to farmers to promote the application of nutrients at the right time and imposing tighter restrictions on application of nutrients during the non-growing season.

Ministry's Enforcement of the *Nutrient Management Act* Is Limited

Recommendation 9

To better ensure that the Nutrient Management Act *and its regulations are being enforced, the Ministry of the Environment and Climate Change should:*

- *Set appropriate inspection targets that fully utilize inspection staff and maximize the number of inspections being performed;*
  Status: Fully implemented.

Details

During our 2014 audit, we noted that the Environment Ministry could target and complete more farm inspections than it was doing. For example, in 2013/14, the Ministry's goal was for its 17 inspectors to inspect 336 farms. This equated to less than one farm inspection every two weeks per inspector. We noted that over half of inspections took no longer than a day to perform, with the remainder taking a couple of days. Despite this, the Ministry did not meet its inspection target in 2013/14, performing only 269 of the 336 planned inspections.

In 2015/16, the Ministry's goal was to conduct 388 inspections. The target was based on the principle that inspections should account for approximately 40% of its inspectors' workload. The Ministry's rationale for this is that inspectors perform other duties beyond inspection, such as responding to complaints and conducting outreach

activities. Inspection targets are also set at the regional level, which allows the Ministry's regional staff to balance the workload across regions based on the circumstances.

The Ministry's 14 inspectors conducted 370 inspections in 2015/16, or an average of about 26 inspections each. In comparison, the 17 inspectors performed approximately 15 inspections each in 2013/14.

- *Use appropriate risk-based criteria to select farms for inspection; and*
  Status: Fully implemented.

Details

We found in our 2014 audit that inspections were not completed using a risk-based framework. Instead, inspectors had the discretion to select which farms to inspect. Given the small percentage of farms that receive inspections, risk-based selection is required to maximize Ministry resources. By conducting a formal risk assessment, the Ministry could target farms most likely to be in non-compliance, and whose non-compliance was most likely to cause environmental harm.

In March 2015, the Environment Ministry obtained data from the Agriculture Ministry regarding farms with approved nutrient management plans. The data included farm size and location, number of animals, nutrient units produced, area of land where nutrients are applied, and the length of time nutrients were stored. The Ministry used these factors to develop a risk-ranked list of farms for inspection in 2015/16. The Ministry also considered other risk factors to rank the farms, such as the status of the farm's management strategy and risks to source water. For example, inspections placed particular emphasis on farms in vulnerable areas where the storage of nutrients was a significant threat. The Ministry inspected 20 of the 113 farms that it identified as high-risk in 2015/16.

- *Follow up on any noted cases of non-compliance and encourage compliance by using, where*

*necessary, all available punitive measures, such
as offence notices.*
Status: In the process of being implemented by
spring of 2017.

Details

In our 2014 audit, we noted that despite the results
of its inspections, the Ministry rarely used puni-
tive measures such as issuing offence notices,
which could result in fines set by provincial courts.
About half of the farms that had been inspected
in 2012/13 and 2013/14 were found to be non-
compliant with the *Nutrient Management Act*, and
in half of those cases, the non-compliance posed a
risk to the environment and human health.

The Ministry is currently assessing the feasibility
of using administrative monetary penalties to allow
the Ministry to more easily impose fines for a range
of offences using fewer resources. The Ministry
is conducting a preliminary analysis and internal
consultation, the first of five steps in the process to
implement such a system. After this, the Ministry
will need to conduct further jurisdictional research
and stakeholder consultation to inform its submis-
sion to Cabinet to seek approval for the framework.
Its goal is to determine the necessary legislative and
regulatory changes by spring 2017.

In order to follow up on cases of non-
compliance, in 2015, the Ministry implemented
a tracking mechanism in its current information
system that will send reminders to inspectors
when deadlines for voluntary abatement actions
expire. The Ministry will also be able to produce
reports on the current status of identified cases of
non-compliance. The Ministry plans to generate
this report annually beginning in 2016/17. At our
request, the Ministry produced such a report, which
showed that 21% of the 370 farms inspected in
2015/16 were found to be non-compliant. We noted
that in 22% of cases where voluntary abatement
actions were in place, the issues of non-compliance
were still not addressed at the time of our follow-
up. In August 2016, the Ministry developed

guidelines for its staff to use when following up on
non-compliances.

The Ministry's Water-Taking Charges Are Insufficient to Recover Program Costs

Recommendation 10

*To ensure the Ministry of the Environment and
Climate Change (Ministry) will be able to recover the
province's cost of administering its water quantity
management programs, and to ensure the sustaina-
bility of sources of water in the province, the Ministry
should:*

- *Charge industrial and commercial users of
  either surface or groundwater sources in
  Ontario an appropriate fee; and*
  Status: Little or no progress.

Details

Since 1961, anyone taking more than 50,000 litres
of water per day from either surface or ground-
water sources in Ontario requires a Permit to Take
Water from the Environment Ministry. This includes
taking water for commercial, industrial, construc-
tion, institutional, agricultural and recreational
purposes.

In 2009, the government passed a regulation
under the *Ontario Water Resources Act* that allowed
the Ministry to begin charging industrial and com-
mercial companies that take high quantities of
water, such as water-bottling companies and those
that incorporate water into their products. These
companies accounted for about 1% or 60 of the
over 6,000 permit holders at the time of our audit
in 2014, and they were charged $3.71 per million
litres of water. Other industrial and commercial
users of water such as mines, thermal power com-
panies, pulp and paper mills and steel mills, needed
permits but did not have to pay water-taking fees.
These companies accounted for 23% of all the per-
mit holders at the time.

The regulation also requires the Ministry to review the water charge every five years beginning in 2012. The Ministry's 2012 review of its water-taking charges found that it recovered only about $200,000 of the $9.5 million in costs directly attributable to industrial and commercial users. At the time of our audit in 2014, the Ministry had begun working on proposals to Treasury Board and Management Board of Cabinet to increase the current charge for companies that take high quantities of water, and phase in new charges for the other industrial and commercial users.

In June 2016, the Ministry developed a proposal to begin charging the other industrial and commercial users, and gradually increase the rates charged to these users. The proposal estimated that the Ministry will receive about $7.3 million annually from 1,700 users. However, the Ministry informed us that further work to obtain final approval for this proposal has been postponed until it is farther along with implementation of the cap-and-trade program and the Climate Change Action Plan.

In August 2016, the Premier asked the Environment Minister to review pricing options for water takings by water bottling facilities. In October 2016, the Ministry proposed a regulation to establish a moratorium on the issuance of new or expanded permits for water bottling until January 1, 2019. The moratorium would prohibit any new or increased use of groundwater for water bottling. The Ministry stated in its proposal that while the moratorium is in place it would examine a range of pricing mechanisms.

Ministry Does Not Use All Information When Issuing Water Permits

- *refer to relevant water budget studies prepared by Conservation Authorities when deciding to issue water-taking permits.*
  Status: Fully implemented.

Details

The *Ontario Water Resources Act* requires that the Ministry consider the use of all available and relevant information such as water budget studies when issuing water-taking permits. At the time of our 2014 audit, we found that Ministry staff were not using the information from the water quantity studies in evaluating and granting applications for Permits to Take Water.

After our audit, the Ministry established a working group to develop guidance on integrating source protection water budget information into the Permit to Take Water program. In April 2016, the Ministry finalized its Standard Operating Procedure for integrating results of water budgets into the Ministry staff's review of permit applications. The procedure document also includes instructions to review existing permits in vulnerable areas where water budget studies have identified significant water quantity risks. In September 2016, the Ministry provided training to its staff on the use of the Standard Operating Procedure, after which it was to be integrated into the review process for permit applications.

In its October 2016 moratorium proposal, the Ministry also stated that it would review the existing rules governing water takings to determine if they are adequate to protect and conserve water resources.

Follow-Up Reports on Special Reports

Summary

Under Section 17 of the *Auditor General Act*, we perform special assignments as requested by the Standing Committee on Public Accounts (Committee) or by a Minister of the Crown, but these activities shall not take precedence over the other duties of the Auditor General under the Act. It is our practice to make specific recommendations in our special reports and ask ministries, agencies of the Crown and organizations in the broader public sector to provide a written response to each recommendation, which we include when we publish these audit reports. Our follow-up on the status of these recommendations consists primarily of inquiries and discussions with the government, the relevant ministries or broader public sector entities and a review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted us with this work. As this is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will be considered in deciding whether future audits should be conducted in these same areas.

This Chapter provides an update on the status of actions taken to address our recommendations in the following special reports.

- **Ontario Lottery and Gaming Corporation's (OLG) Modernization Plan**—Due to the nature of the request from the Committee for this Special Report (tabled in April 2014), this report did not contain any recommendations; however, we committed to issuing an update on the status of the Plan once all associated procurement was complete. At the time of the Special Report, OLG was expected to complete all modernization-related procurements by March 2015. As of September 30, 2016, the procurement completion date had been extended to August 2018. While we plan to issue another update at that time, we are providing a two-year status update in the interim.

- **Ornge Air Ambulance and Related Services**—Our Special Report was tabled in March 2012. We conducted a follow-up this year in response to a request as noted in the 2014 Summary Report tabled by the Standing Committee on Public Accounts on their review of Ornge Air Ambulance and its Related Services. Overall, progress has been made toward implementing 72% of our recommended actions, including 61% that have been fully implemented. More

work is needed on the remainder. The Committee's Summary Report also listed a number of concerns, including those from the Committee's prior Interim Report on Ornge. The Summary Report indicated that the Committee wanted the Ministry of Health and Long-Term Care and Ornge to take the necessary steps to address its concerns in a timely manner. We also followed up on the Committee's concerns as summarized in **Chapter 3**, **Section 3.05** of this report.

● **Winter Highway Maintenance**—Our Special Report was tabled in March 2015. In response, the Minister of Transportation requested that

our Office conduct a follow-up review of the winter maintenance program in 2015/16 in order to provide an update on the Ministry's progress. As noted in **Figure 1**, overall progress has been made toward implementing 84% of our 19 recommended actions, including full implementation of 42% or eight of them within the last year. More work is needed on 11% or two recommended actions and 5% or one recommendation will not be implemented.

More specific details on the follow-ups on these reports are presented in the sections that follow **Figure 1**.

Figure 1: Overall Status of Implementation of Recommendations from Our Special Reports

Prepared by the Office of the Auditor General of Ontario

Special Report	# of Recs	# of Actions Recommended	Status of Actions Recommended			
			Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
2.01 Ontario Lottery and Gaming Corporation's Modernization Plan	As this report did not include recommendations, we followed up on the status of the Modernization Plan.					
2.02 Ornge Air Ambulance and Related Services	5	18	11	2	4	1
2.03 Winter Highway Maintenance	8	19	8	8	2	1
Total	13	37	19	10	6	2
%		100	51	27	16	6

Chapter 2

Ontario Lottery and Gaming Corporation's Modernization Plan

Follow-Up on *April 2014 Special Report*

Status of Modernization Plan as of September 2016

The implementation of the Ontario Lottery and Gaming Corporation's (OLG's) Modernization Plan, which was to take place over the six-year period ending March 31, 2018, has been delayed for many reasons, including municipalities needing more time to respond to OLG's plans; some municipalities rejecting new gaming facilities or the relocation of existing gaming facilities; OLG's procurement processes taking longer than planned; launches of new OLG initiatives taking longer than planned; delays in negotiating lease agreements with racetracks; and the government's decision to integrate horse racing into the Modernization Plan.

On September 23, 2016, OLG cancelled the Request for Proposals (RFP) for the lottery network in favour of a revised modernization approach. Under the revised approach, OLG plans to increase its lottery revenues with enhancements to its technology and innovation capabilities through partnerships with the private sector. As of September 30, 2016 (as shown in **Figure 1**), the procurement process for selecting private-sector operators for casinos in seven regions of the province was still in progress, with a planned completion date of August 2018, almost six years later than the original projected timeline.

As of September 30, 2016, OLG's latest projection of net profit to the province (NPP) for the six-year period from April 1, 2012, to March 31, 2018, was an estimated $11.811 billion, down $3.525 billion from the 2012 NPP projection of $15.336 billion.

In 2012, OLG estimated total NPP even without modernization—in other words, without changing anything—for the same six years would be $10.712 billion, or only about $1.1 billion less than the 2016 projections that include modernization. That $1.1 billion difference dropped further, to just $639 million, after the province incurred unanticipated costs of $461 million during the same six years to support the horse-racing industry.

As of September 2016, OLG's full modernization benefits have been deferred to the 2021/22 fiscal year. The additional annual NPP attributable to modernization has also been reduced to $889 million starting in 2021/22, four years behind schedule and only 70% of the originally projected benefits of $1.3 billion annually starting in 2017/18. The $889 million in additional annual NPP from modernization includes a projected $209 million from modernized lottery operations. However, as of September 23, 2016, the initial lottery modernization approach had been cancelled, putting the $209 million projection in question until a new approach is finalized. As of the

Figure 1: Status of OLG's March 2012 Modernization Plan Activities as of September 2016

Source of data: OLG

Activity and Original Planned Completion Date	What's Been Done	What's Left to Do as of September 30, 2016 and a Revised Completion Date
Reconfiguration of the number of gaming facilities and tailoring the types of gaming activities made available at each location **(Summer 2012)**	• Gaming business model developed • 29 gaming zones (areas where a gaming facility is permitted to operate) were established and later reduced to 28 zones (24 of them have existing gaming facilities) • New statutory regulation in force replacing public referendum with other requirements for establishing a new gaming facility in a municipality • Responses obtained from municipalities to OLG's proposed changes, locations and types of gaming facilities	• Finalize locations and reconfigure gaming facilities in zones on the basis of municipal approvals received (**No revised completion date**, but will be after August 2018, the revised completion date for securing private-sector operators)
Securing private-sector operators for gaming zones, who will be responsible for all funding, building and operation of all gaming facilities **(December 2012)**	• 25 of 28 gaming zones grouped into 7 larger bundles for private-sector operator service-delivery bidding • 3 gaming zones including 3 existing resort casinos subsequently removed from bidding process • Requests for pre-qualification of bidders issued for all 7 bundles and qualified bidders notified for 4 of the 7 bundles • Requests for proposals issued for 4 of the 7 gaming bundles to eligible private-sector operators to take over operations • Niagara bundle added as the 8th bundle covering 2 gaming zones • Contract reached with the successful private-sector operator selected for the East gaming bundle	• Prequalified bidders eligible to participate in the request-for-proposal process to be notified for 3 of the original 7 bundles • Issue and evaluate submissions for pre-qualification of bidders for the Niagara bundle • Issue requests for proposals to eligible private-sector operators to take over operations for 4 gaming bundles (Ottawa, West GTA, Central and Niagara) • Award contracts to private-sector operators for the remaining 7 gaming bundles and transition day-to-day operations of existing gaming facilities • Operators to open new and relocated gaming facilities • Determine strategy for Caesars Windsor (**August 2018** for the awarding of gaming zones to private-sector operators)
Implementation of new, consistent hosting fee model for municipalities with gaming facilities **(Late 2014)**	• New hosting fee rates announced in May 2013 • All 23 host municipalities have signed new hosting fee agreements with OLG	• Completed
Securing a private-sector operator for lottery network operations **(December 2012)**	• Request for pre-qualification issued • Evaluated submissions for pre-qualification of bidders • Issued requests for proposals to eligible private-sector operators	• On Sept 23, 2016, OLG cancelled the current Request for Proposals (RFP) for Lottery in favour of a revised modernization approach (**No revised completion date** for the new lottery modernization approach)

Activity and Original Planned Completion Date	What's Been Done	What's Left to Do as of September 30, 2016 and Revised Completion Date
Expansion of lottery ticket sales to large multi-lane retail outlets **(Late 2015)**	• Letter of Intent signed with one grocery partner	• Finalize two multi-lane technology solutions with two key grocery partners • Finalize contracts with technology solution providers; design, build, implement and deploy two solutions for the two grocery partners **(September 2018** for the two grocery partners)
Ending Slots At Racetracks Program **(March 31, 2013)**	• End of program funding announced in March 2012 Budget • Program funding ended March 31, 2013 • Premier announced in May 2013 that horse racing will be integrated into the Modernization Plan and OLG will find new revenue streams for the industry • Transition plan announced in October 2013 worth up to $400 million over 5 years. Increased to $500 million in March 2014 • In January 2015, Minister of Finance instructed OLG to create a new line of business focused on horse-racing integration activities • In April 2016, OLG created its new line of business that is focused on horse-racing integration activities. • In the February 2016 Budget, Ontario government announced extension of the horse-racing funding program for two additional years beyond March 2019, to March 2021.	• Continue to explore potential horse-themed lottery products and provide business, marketing and responsible gambling expertise to the horse-racing industry • Extend the racetrack funding agreements, which currently expire on March 31, 2019, for two additional years to March 31, 2021 • Finalize a long-term commercial funding arrangement for the horse-racing industry **(Ongoing with no completion date set)**
Optimization of gaming facilities beyond slots at racetracks (April 2012—closed 3 slots and racetracks) (winter 2013—2 new temporary gaming facilities) (late 2015—10 new permanent gaming facilities) (late 2016—2 new permanent gaming facilities)	• 3 slots at racetracks closed in April 2012 • Municipalities informed of proposed relocations and/or plans for new casinos and have responded with approvals or rejections	• Secure private-sector operators for gaming zones • Private-sector operators to determine new locations for gaming facilities where municipalities have approved relocations of existing gaming facilities or new casinos • Obtain necessary approvals from OLG, the AGCO, municipalities and Minister of Finance for relocation of existing gaming facilities or new casinos • Establish all temporary and permanent gaming facilities **(No revised completion date**, but will be after August 2018, the revised completion date for securing private-sector operators)

Activity and Original Planned Completion Date	What's Been Done	What's Left to Do as of September 30, 2016 and Revised Completion Date
Implementation of Internet gaming **(Late 2011)**	• Request for proposals issued • 5-year contract signed with a private operator to manage day-to-day Internet gaming operations • Internet gaming launched publicly in January 2015	• Completed
Revitalizing charitable gaming by converting participating existing bingo halls to electronic bingo centres **(December 2013)**	• 8-year contract signed with a private vendor to accelerate development and installation of electronic bingo and other products • 32 of 42 participating bingo halls have been converted to electronic bingo centres and one has since closed	• Further conversion of bingo halls to electronic bingo centres has been put on hold pending discussions with the industry **(No completion date set)**
Enhancement of responsible gambling programming **(End of 2014**—complete accreditation of all gaming facilities) (no specific dates provided for integrating existing resources and tools in all new gaming offerings)	• All 24 gaming facilities achieved responsible gambling accreditation from an independent, not-for-profit organization (Responsible Gambling Council) • Responsible gambling accreditation achieved for Internet gaming	• New initiative added to apply OLG's responsible gambling expertise within the horse-racing industry **(December 2016** for OLG to provide advice; no implementation date set. Ministry of Finance and horse-racing industry to finalize implementation)

2015/16 fiscal year, OLG had only achieved around $300 million (34%) of the $889 million projected NPP increase. The remaining $589 million NPP increase was projected to occur over the next six years. As with any long-term financial projections, estimates are based on a number of business assumptions that will likely evolve over time.

Background

OLG Modernization in 2012

In July 2010, the provincial cabinet directed OLG to work with the Ministry of Finance (Ministry) to increase net provincial revenue by modernizing commercial and charitable gaming. This request included expanding charitable gaming to allow bingo halls to have electronic games; developing Internet gaming (including a process for private-sector vendors to deliver Internet gaming with

appropriate oversight); and conducting a strategic business review of land-based gaming facilities and a review of the lottery distribution network, with a report to be submitted to Cabinet by late 2011.

In February 2012, the Ministry reported back to Cabinet with OLG's Modernization Plan. The Ministry received approval for OLG to work with it to increase net profit to the province by optimizing and expanding land-based gaming and the lottery distribution network.

For land-based gaming, the approved changes included:

- closing slot facilities at three racetracks and relocating six slot-at-racetrack facilities and one OLG casino;
- introducing five new gaming facilities in underserviced communities;
- terminating all site-holder agreements with racetrack operators; and
- competitively outsourcing the day-to-day operations of OLG gaming facilities to private-sector operators and having them fund new

capital development and buy existing OLG capital gaming assets.

For the lottery distribution network, the approved changes included:

- competitively selecting one or more private-sector operators to purchase existing lottery terminals and distribute new lottery terminals to retailers; and
- increasing distribution channels by introducing multi-lane sales at major retail outlets.

For socially responsible gambling, the approved changes included:

- continuing to have no video lottery terminals (slot machines) in commercial businesses, such as restaurants and bars; and
- having OLG incorporate the Alcohol and Gaming Commission of Ontario's (AGCO's) responsible gambling standards into its contracts with private-sector operators.

The Modernization Plan outlined the following projected financial, capital investment and employment gains to the Ontario gaming industry, which were to be achieved by March 31, 2018:

- an additional cumulative $4.6 billion in net profit to the province (between April 1, 2012,

and March 31, 2018) from modernization initiatives;
- an additional $1.3 billion in annual net profits to the province starting April 1, 2017, and expected to be sustainable thereafter;
- about $3 billion in new private-sector capital investment in Ontario;
- about 2,300 net new gaming-industry jobs; and
- 4,000 net new jobs in the hospitality, entertainment and retail sectors.

2014 Special Report

In April 2013, the Legislative Assembly's Standing Committee on Public Accounts passed a seven-part motion, outlined in **Figure 2**, asking the Auditor General to look at various aspects of the OLG's Modernization Plan, including the cancelling of the Slots At Racetracks Program.

Overall, our April 2014 Special Report noted the following:

- The Modernization Plan had an overly ambitious timeline. The Modernization Plan included a significant number of changes and

Figure 2: Excerpt of the Public Accounts Committee Motion
Source of data: Standing Committee on Public Accounts

Motion
Whether the province or the corporation has conducted a broad enough consultation process to ascertain whether or not new casinos are welcome in various communities throughout Ontario
Whether the corporation has employed or is employing a clear, consistent and transparent process for tendering, contracting and planning for any and all new or proposed casinos, gaming facilities, bingo halls, online gaming and lotteries throughout Ontario
Whether the host-city-payment formulas for casinos or other gaming facilities are clear, consistent and transparent across the province and whether any special, secret or "one-off" deals are being negotiated between different municipalities for different reasons
Whether provincial or local revenue projections and local economic impact assessments for new casinos and other gaming facilities have been undertaken and are clear, fair and transparent
Whether the province and/or the corporation has adequately taken into consideration community impacts on mental health and/or addiction matters related to the implementation of the new "modernization" plan
Whether the impact of cancelling the Slots At Racetracks Program on Ontario's horse racing industry was measured and whether certain communities have been impacted disproportionately as compared to other communities and if the Liberal government's decision to end the program will be offset by changes in the new modernization plan
Whether the province or the corporation properly consulted or consulted various industries, businesses and municipalities impacted by the cancellation of the Slots At Racetracks Program, and did the province or the corporation assess the economic impact on said industries, businesses and municipalities and factor that into their decision(s)

initiatives that needed to occur within 18 months to achieve net profit projections.

- The Modernization Plan depended on and assumed municipal stakeholder agreement, especially in the case of having a casino in the Greater Toronto Area (GTA). However, more consultation with municipalities was needed to assess the practicalities of getting municipal approval for OLG's plans.

- The Modernization Plan's financial projections were overly optimistic. As of March 2014, OLG had already reduced its six-year estimate of projected revenues by 48% to $2.4 billion, from $4.6 billion in the March 2012 estimate.

- Procurement processes that were followed to the time of our report had been fair, open and transparent.

- The Modernization Plan's job and private-sector capital investment projections were overstated. As of March 2014, the Modernization Plan was scheduled to result in significantly fewer jobs and less private-sector capital investment than had been anticipated.

- The cancellation of the Slots At Racetracks Program was considered in the Modernization Plan but was unexpected by the horse-racing industry. We found that the government had sufficient information to know that without program funding, the number of racetracks could be reduced from 17 to as few as six.

- Some stakeholders had been disproportionately impacted by the cancellation of the Slots At Racetracks Program. Racetracks in three municipalities lost their OLG slot facilities.

- The revised municipal hosting fee was consistent from one municipality to the next, with no secret "one-off" deals (a separate fee was in place with First Nations groups). We found the new municipal hosting fee that had been established was clear and consistent, with no one municipality favoured over another.

- The province and OLG had taken steps prior to modernization to prevent and mitigate problem gambling and they were continuing to do

so, as of our Special Report. OLG's Modernization Plan included commitments to continue to promote responsible gambling initiatives.

In our April 2014 Special Report, we committed to issuing an update once all procurement associated with the Modernization Plan was complete. At the time of the Special Report, OLG was expected to complete all modernization-related procurements by March 2015. As of September 30, 2016, the procurement completion date had been postponed to August 2018, and we plan to issue another update at that time. In the interim, we are providing a two-year status update to the Special Report.

Update Details

Consultation with Municipalities on Casinos

A key intent of the Modernization Plan was to make the gaming industry more "customer-focused." This meant making gaming facilities more accessible by locating them in more populated urban areas, and this became the main driver for determining where new casinos should be built. As part of the 2012 Modernization Plan, OLG proposed locations for five new facilities (all of them in more densely populated urban areas) and relocation of six existing slots at racetracks and one casino from mostly suburban areas to more densely populated urban areas. Over 20% of the $1.3 billion new net profits to the province that OLG projected in the Modernization Plan depended on these gaming facility plans being realized. Although this required that municipal councils approve gaming facility locations, our 2014 audit found there was no prior communication or formal consultation with municipalities by OLG or any ministry regarding potential new or relocated casinos. Instead, prior communication with municipalities was limited to some informal discussions between OLG executives and individual city leaders.

After public release of the Modernization Plan in March 2012, OLG advised municipalities of the potential for new gaming facilities in their communities. In June 2012, OLG invited all affected municipalities to attend regional information sessions, where OLG presented background on the Modernization Plan, gaming zones in the region and municipalities' role in establishing new gaming facilities. Upon request, OLG also appeared at city councils and public information sessions hosted by municipalities to present detailed information, such as expected economic impacts, and the steps and timelines of the procurement process. Beginning in 2012, OLG has continued to meet annually with all host municipalities and potential new host municipalities.

At the time of our 2014 audit, most large municipalities, including those in the Greater Toronto Area, Ottawa, Hamilton, Kitchener and Waterloo, had rejected OLG's proposals for locating casinos in more populated urban areas. This significantly reduced the achievement of the revenue projections in the Modernization Plan.

In July 2015, Toronto City Council passed a resolution supporting gaming expansion at Woodbine Racetrack, only if OLG and the private-sector operator (yet to be selected) met a number of planning, economic, social, health and labour conditions. The OLG was required to include the city's conditions into the ongoing procurement process for the GTA gaming bundle. The private-sector operator for the GTA gaming bundle is expected to be selected by November 2017, at which time the city manager is to provide a report back to council assessing how the operator has met or has committed to meeting the city's conditions. At that point, city council would decide whether to maintain or reverse its conditional support of expanded gaming at Woodbine.

Based on conditional municipal support, OLG has reached long-term lease agreements with Woodbine Entertainment Group (WEG) for the Woodbine Racetrack site and to allow the selected private-sector operator to develop a pre-determined number of acres owned by WEG for gaming and non-gaming purposes. With the council's conditional approval for Woodbine expansion, the OLG is expecting significantly stronger bids for the GTA gaming bundle from the major private-sector casino operators. OLG originally expected NPP of $348 million by 2018 for a new GTA casino. The NPP impact of the Woodbine expansion is expected to be significantly lower.

Tendering Contracting and Planning Processes

OLG continues to follow the three-stage procurement process that its board approved in April 2012:

- **Stage 1:** Issue public requests for information (RFIs) to enable OLG to gather data from private-sector operators about how gaming and lottery could be improved with their involvement, as well as what the project and procurement risks might be.
- **Stage 2:** Issue public requests for pre-qualification (RFPQs) to enable OLG to determine the abilities of potential respondents and whether they meet OLG's requirements.
- **Stage 3:** Issue requests for proposal (RFPs) to pre-qualified private-sector operators to allow them to make formal bids to operate specific aspects of the gaming and lottery businesses. OLG is to evaluate the bids against a number of stated criteria.

OLG's timelines for procurements and launches of modernization initiatives are discussed in the following subsections.

Timelines for Procurement and Launches of Modernization Plan Initiatives

Land-Based Gaming Facilities

In 2012, OLG planned to have private-sector operators for all 29 gaming zones outlined in the Modernization Plan, with one existing or new gaming facility strategically placed per zone to maximize gaming revenue. In 2012, the gaming zones were

grouped into seven larger gaming bundles, with Niagara Falls added as an eighth gaming bundle in April 2016. The transition to private-sector operators, which includes issuing an RFI and analyzing the results, issuing RFPQs, issuing RFPs and awarding contracts, was to be completed by July 2013. As of March 2014, OLG had updated the projected completion date to June 2015. As of September 30, 2016, OLG had further extended the land-based gaming site procurement timelines by four years from June 2015 to June 2019. The procurement timeline was extended to June 2019 for the Niagara Falls bundle and August 2018 for the other seven gaming bundles.

As of September 30, 2016, OLG's agreement with a private-sector operator had only been completed for one of the eight gaming bundles. As **Figure 3** shows, RFPs to pre-qualified private-sector operators have been issued for three other gaming bundles—North (November 2015), Southwest (November 2015) and GTA (February 2016). RFPs for the four remaining gaming bundles—West GTA (October 2016), Ottawa (October 2016), Central (March 2017) and Niagara (April 2017)—were to be released over the next several months.

East Gaming Bundle Procurement

In September 2015, OLG selected Ontario Gaming East Limited Partnership (OGELP) as the private-sector operator for the East gaming bundle. In Janu-

ary 2016, OLG and OGELP entered into a 20-year Casino Operating and Services Agreement that provides OGELP with an annual fixed service fee and potential to earn higher fees based on exceeding predetermined revenue thresholds. Based on our review and the reports by OLG's Fairness Monitor, the East gaming bundle procurement process followed the approved procurement criteria.

On January 26, 2016, Belleville City Council approved OGELP's gaming site development plans. Construction of the new Belleville casino began in April 2016 with an expected completion date of December 2016.

Niagara Gaming Bundle Added to Modernization Plan in April 2016

On April 1, 2016, OLG announced that it intends to add the two Niagara Casinos—Fallsview Casino Resort and Casino Niagara—to its modernization procurement process. OLG had previously decided that no new private-sector operators would be pursued for three resort casinos in the Windsor and Niagara Falls areas since the cancellation of long-term agreements with the existing private-sector operators would be costly.

In early 2016, OLG's internal cost-benefit analysis of the Niagara Falls casino agreement showed that terminating it would increase OLG's profits over the 20-year expected term of a new service contract. On March 30, 2016, OLG exercised its

Figure 3: OLG's Gaming Bundles—Actual and Expected Procurement Timelines as of September 30, 2016
Source of data: OLG

	RFPQ		RFP		Contract
	Release	**Close**	**Release**	**Close**	**Agreement**
East	Nov 30, 2012	Mar 7, 2013	Apr 25, 2014	Sep 8, 2015	Jan 11, 2016
North	Nov 30, 2012	Mar 14, 2013	Nov 23, 2015	Feb 2017	Aug 2017
Southwest	May 30, 2013	Aug 8, 2013	Nov 23, 2015	Feb 2017	Aug 2017
GTA	Dec 12, 2013	Sep 10, 2015	Feb 11, 2016	Nov 2017	Mar 2018
Ottawa	Jun 2, 2016	Aug 4, 2016	Oct 2016	Jun 2017	Dec 2017
West GTA	Dec 12, 2013	Mar 13, 2014	Oct 2016	Dec 2017	Apr 2018
Central	Dec 12, 2013	Mar 13, 2014	Mar 2017	Apr 2018	Aug 2018
Niagara	Oct 2016	Jan 2017	Apr 2017	Aug 2018	Jun 2019

Note: Event dates that have occurred as of September 2016 have been bolded.

option to not extend the term of the agreement for the two Niagara Falls casinos, which ends June 10, 2019. Under the current agreement, a non-renewal fee of about $170 million must be paid to the previous private-sector operator, Falls Management Company. The RFP for the Niagara gaming bundle is scheduled for release in March 2017. The non-renewal fee is not recoverable from Falls Management Company under any circumstance. The decision on whether to include the Windsor resort casino in modernization will be made at a later date.

Electronic Bingo Centres

In March 2012, OLG planned to transform bingo halls to electronic bingo centres that would allow patrons to play bingo, break-open tickets, raffles, lottery games and other new games electronically and on paper. Under the agreements OLG signed with participating bingo halls, the hall operator was to be responsible for the cost of site operations, including staffing, building improvements, furnishings and utilities, and had to operate in accordance with OLG policies and procedures. OLG would provide oversight of gaming products and operations. Net revenues were to be shared as follows: 25% to OLG, which planned to operate on a break-even basis; 25% to the charities holding the licence for the bingo hall; 3% to the host municipality that issued the licence; and 47% to the operator of the electronic bingo centre.

Bingo halls and charities with licences issued by municipalities could choose whether or not to participate. As of March 2014, 42 halls had expressed interest in converting to electronic bingo centres. However, OLG only had approved funding for converting 37 specific halls, of which 32 committed to the conversion. As of October 2015, OLG had converted the 32 bingo halls to electronic bingo centres but only 31 remained active, as one was closed in August 2015. OLG put additional conversions on hold in late 2015 as it lost $37 million in the 2014/15 fiscal year in its operation of electronic

bingo centres, primarily due to lower revenues and higher than expected customer payouts. As of September 2016, OLG and other stakeholders were in discussions that could potentially reduce OLG's financial losses. The conversion of additional charitable gaming centres has been put on hold pending the outcome of discussions with the industry.

Internet Gaming

OLG's Internet gaming site, PlayOLG, was launched on January 8, 2015. PlayOLG allows Ontario players to buy lottery tickets and play popular casino games, such as slots, blackjack and roulette, online. In the 2015/16 fiscal year, OLG's Internet gaming business generated $15 million in profits. OLG also plans to launch a mobile casino app by March 2017. As of September 2016, the AGCO was testing the mobile casino games for certification. OLG said it expected the AGCO certification and Ministry of Finance approval for the mobile casino app would be obtained in early 2017.

Lottery Network

In March 2012, OLG planned to procure a private-sector service provider for its lottery network in December 2012, with private operations beginning in July 2013. The lottery business model, where private-sector service providers operate the lottery network while government retains control over how the lottery is conducted, added complexity to the transaction and led to delays. This model has not been implemented elsewhere in North America. In September 2014, an RFP for the lottery network was issued to the pre-qualified private-sector operators who had previous lottery operating experience in other countries.

In responding to the RFP, the pre-qualified private-sector operators indicated to OLG that they would not be able to commit to a level of business growth as required under the RFP. On September 23, 2016, OLG cancelled the RFP process for the lottery network in favour of a revised modernization

approach. The new lottery modernization approach is expected to retain OLG as the lottery operator with private-sector partnerships providing technological innovations that enhance provincial revenues. As of September 30, 2016, OLG believed that, despite cancellation of the RFP process, there is untapped revenue potential in the market and the new lottery modernization approach will provide increased revenues to the province.

Use of Fairness Monitor and Fairness Adviser

As part of the February 2012 cabinet approval, OLG was directed to engage a fairness monitor for procurement of private-sector operators for land-based gaming and the lottery network. In July 2013, OLG issued a Request for Services for a fairness monitor to oversee the modernization procurement process. A three-year contract was established in December 2013, with a maximum payment of $1 million in fees over three years. The contract for OLG's current fairness monitor expires on December 5, 2016. As of September 30, 2016, OLG was finalizing a new contract with the current fairness monitor for a two-and-a-half year term, with no option to renew.

In addition, at the request of the Chair of the OLG board of directors, OLG also engaged a fairness adviser in May 2012. The adviser, reporting directly to OLG's board, was to oversee the implementation of the Modernization Plan to ensure fairness and transparency, and address any conflict-of-interest issues. On October 10, 2014, OLG's fairness adviser submitted a letter advising that, based on the information he reviewed:

- no conflicts of interest of any consequence had arisen that would affect modernization; and
- OLG's procedures for identifying conflicts of interests served the purpose for which they were intended.

Hosting Fees for Gaming Facilities

The Municipality Contribution Agreement (MCA) OLG has signed with each of its 23 host municipalities remains clear, consistent and transparent. On January 25, 2016, Belleville became the latest host municipality to agree to the MCA. All host municipalities receive compensation based on the same formula:

- 5.25% on the first $65 million of slot revenue;
- 3.0% on the next $135 million of slot revenue;
- 2.5% on the next $300 million of slot revenue;
- 0.5% on slot revenue above $500 million; and
- 4.0% on table game revenue.

First Nations communities have separate agreements that have not changed under the Modernization Plan. In September 2016, OLG negotiated a new host agreement with Mississaugas of Scugog Island First Nation that is consistent with the standard MCA in place with other host municipalities.

Modernization Plan Revenue Projections and Assessments of Economic Impact

Projection: $4.624 Billion in Cumulative Net Profit to Province over Six Years

In March 2012, OLG publicly reported that the Modernization Plan would result in an additional $4.624 billion in net profit to the province (NPP) over a six-year period of transformation between April 1, 2012, and March 31, 2018. As **Figure 4** shows, this $4.624 billion was over and above the approximate $10.712 billion in NPP OLG forecast it would have generated anyway, without its Modernization Plan. OLG anticipated that, beginning in the 2017/18 fiscal year, it would continuously generate about $3 billion a year in profits (in the year ending March 31, 2018, this would consist of the $1.7 billion a year already being generated outside of modernization and $1.3 billion attributable to modernization).

As **Figure 4** shows, the additional NPP from modernization over the six-year period might be

Figure 4: OLG's 2012 Breakdown of Projected $4,624 Million Additional Net Profit to the Province (NPP) Over the Six Years of the Modernization Plan, Years Ending March 31 and Update to the Projections as of September 2016 ($ million)

Source of data: OLG

	March 2012 Projections of Additional Net Profit to the Province							September 2016 Revised Projections	Change in NPP Projections
	2013	2014	2015	2016	2017	2018	Total		
NPP Forecasted Without Modernization Plan Initiatives	1,776	1,853	1,869	1,738	1,738	1,738	10,712	10,304	(408)
Additional NPP Generated by Modernization Plan Initiatives									
Casino and slot operations and cancelling the Slots At Racetracks Program	–	347	431	547	659	731	2,715	1,097	(1,618)
Lottery operations	–	45	83	129	182	192	631	0	(631)
Existing business plans, including Internet gaming and charitable gaming	–	165	237	247	247	247	1,143	257	(886)
Internal efficiencies and cost savings (net of transition costs)	1	(206)	59	82	106	93	135	153	18
Total Additional NPP from Modernization Plan Initiatives	1	351	810	1,005	1,194	1,263	4,624	1,507	(3,117)
Total Expected NPP	1,777	2,204	2,679	2,743	2,932	3,001	15,336	11,811*	(3,525)

* Over the six-year period, the NPP is only expected to increase by $1.1 billion (to $11.811 billion) from the $10.712 billion NPP forecasted without Modernization in March 2012.

overstated, as the total NPP for the period is only $1.1 billion more than the NPP forecast for the period without modernization in March 2012. The difference is due to OLG's reduced projections to the base NPP without modernization of $408 million. As of September 2016, OLG's full modernization benefits have been deferred to the 2021/22 fiscal year.

In addition, when accounting for $461 million of unanticipated transition and support funding to the horse-racing industry after cancellation of the Slots At Racetracks Program, the additional NPP to the province is only $639 million (14% of the original target $4.6 billion NPP) for the six-year period ending March 31, 2018.

Update to the NPP Projection—September 2016

As of March 2014, OLG had reduced those initial projections of NPP over the six year period (April 1, 2012 to March 31, 2018) to $2.4 billion. As of September 2016, projections for that period had been reduced to $1.5 billion in NPP (see **Figure 5**), over 65% lower than the original projection of $4.6 billion. The key factors in further reductions of $895 million over the last two years are:

- Delays in the procurement process of the gaming bundles and the lottery network by more than three years.
- Actual Internet gaming results for revenues and NPP that were much lower than originally anticipated and reduction of future projected annual NPP to $25 million from $100 million. OLG's 2012 financial projections for Internet gaming were overly optimistic and underestimated the influence of the grey market (illegal online gaming) on Ontario players.
- Based on the procurement results and contract negotiations for the East gaming bundle, NPP projections for other gaming bundles have been adjusted accordingly.

Figure 5: OLG Revisions to Projected Additional Net Profit to the Province (NPP) From Modernization Plan Initiatives ($ million) Over the Six-Year Period Ending March 31, 2018

Source of data: OLG

March 2012 Projected Additional NPP from Modernization Plan Initiatives Over Six Years	**4,624**
As of March 2013 update	
Less:	
• impact of delays	
• lowering of profit expectations from future gaming activities following revised forecasts of private-sector operator fees and gaming revenue growth	(540)
As of September 2013 update	
Less:	
• revising forecasts for return on private operators' capital investment and profit	
• loss of profits from not relocating various slots at racetracks to downtown city cores	
• higher-than-expected payments to municipalities as a result of new hosting fee agreements	
• impact of delays in implementing Internet gaming	
• impact of delays in procuring private-sector operators for gaming zones and lottery operations	
Plus:	
• $117 million saved by cancelling plan to terminate an existing resort casino operator's contract	
• $201 million upward adjustment from revised forecasts of lower costs and higher lottery revenues	(520)
As of December 2013 update	
Less:	
• loss of profits from absence of casino in GTA	
• decreased profits from existing lottery and gaming activities	
• impact of further delays in implementing Internet gaming	
• impact of further delays in procuring private-sector operators for gaming zones and lottery operations	(478)
As of February 2014 update	
Less:	
• decreased profits from existing lottery and gaming activities and additional costs to deliver electronic bingo	
• decreased profits from lottery network modernization	(684)
Revised Projected Additional NPP from Modernization Plan Initiatives—February 2014	**2,402**
As of September 2016 update	
Less:	
• impact of further delays in procuring a private-sector operator for gaming bundles and lottery network	
• decreased profits from Internet gaming	
• adjusted forecasts based on East gaming bundle procurement experience	(895)
Revised Projected Additional NPP from Modernization Plan Initiatives—September 2016	**1,507**
Difference—March 2012–September 2016	**3,117**

Long-Term Annual Modernization-Related Net Profit to the Province

As of September 2016, OLG now anticipates the full benefits of modernization to be realized in 2021/22, four years behind the March 2012 projection of the 2017/18 fiscal year. As outlined in **Figure 6**, OLG's new projection for full realization of modernization benefits is $889 million in additional NPP annually starting in 2021/22, a reduction of 30% from the $1.263 billion projection

of March 2012. The annual modernization benefit of $889 million does not account for the $100 million of annual funding the province is providing to the horse-racing industry as a result of the Slots At Racetrack Program cancellation.

OLG recognizes that with modernization not yet fully implemented and with procurement complete for only one of the eight gaming bundles, there is still risk associated with the current projections. On September 23, 2016, OLG

Figure 6: Comparison of Projected Annual Long-Term Modernization-Related Net Profit to the Province (NPP), March 2012 Versus September 2016 ($ million)
Source of data: OLG

Modernization Initiatives	Final Modernization Related NPP to Be Realized in 2017/18 (as of March 2012)	Final Modernization Related NPP to Be Realized in 2021/22 (as of Sept 2016)	Increase (Decrease) in Expected NPP
Casino and slot operations and cancelling the Slots At Racetracks Program	731	508	(223)
Lottery operations*	192	209	17
Internet gaming	100	25	(75)
Existing business, internal efficiencies and cost savings (net of transition costs)	240	147	(93)
Total	**1,263**	**889**	**(374)**

* Lottery operations projected NPP of $209 million based on the previous lottery procurement model that has been cancelled. OLG still believes that $209 million in additional NPP is achievable but has not finalized the new lottery modernization approach that will help achieve the additional NPP.

cancelled the lottery network procurement model for privatization in favour of a new modernization approach based on partnerships between OLG and the private sector. As of September 30, 2016, OLG still believed that $209 million in additional NPP was achievable, but it had not finalized the new lottery modernization approach that would help achieve the additional NPP.

The Internet gaming projections of $25 million NPP annually might be overstated. As of September 30, 2016, Internet gaming revenues seemed to have stabilized and are projected to increase in 2016/17 to $53 million ($15 million NPP) from $49 million ($15 million NPP) in 2015/16. OLG expected the revenues to grow to $70 million by the 2019/20 fiscal year (32% projected growth over three years) through new games, natural growth and a mobile casino app. We question the optimism of these growth projections given the stabilized Internet gaming product.

Modernization Plan Projection: $475 Million to Charities from Electronic Bingo Initiatives over Eight Years

Our 2014 Special Report explained that, based on market trends, OLG would have trouble generating $475 million in profits to Ontario charities over the eight years from April 1, 2012, to March 31, 2020. OLG acknowledged that that initial projection from electronic bingo initiatives was overstated because:

- Bingo hall conversions took longer than expected, and NPP projections were based on lower customer payouts, which did not materialize.
- Break-open-ticket dispensers did not generate the projected $200 in revenues per unit per day from day one. It took more than three years for the break-open-ticket dispensers to produce $190 in revenues per unit per day.
- Original revenue projection was based on 2009 revenue data from bingo halls using paper. Since paper hall revenues have continued to decline, the revenue projection was likely overstated.

As of February 2016, Ontario charities have received an additional $71 million from charitable gaming centres, while OLG has sustained significantly higher financial losses over the same period. OLG now projects that charities will receive an additional $119 million over the next four years, for a total of about $190 million over eight years, 60% less than the $475 million projected in March 2012.

Modernization Plan Projection: Private-Sector Capital Investment in Gaming Industry of $3 Billion by the Year Ending March 31, 2018

OLG included in the Modernization Plan in March 2012 the projection that Ontario would see an additional $3 billion in new private-sector capital investment in the province by March 31, 2018. In April 2014, based on the resolutions passed by various municipal councils and OLG's decision to not sell the three resort casinos in Windsor and Niagara Falls, the original private-sector capital investment projections were reduced from $3 billion to $938 million. Of this $938 million, a projected 71% was to be collected by the Ontario government as proceeds from the sale of OLG's existing assets.

As of September 2016, OLG estimates modernization will generate around $1.5 billion in private-sector capital investments in the gaming industry, an increase of $562 million (or 60%) from the April 2014 projections. Most of this increase was attributed to the planned gaming and non-gaming expansion at Woodbine Racetrack. The estimated $1.5 billion investments include $1 billion (up from $272 million in April 2014) in new capital investments and $500 million ($666 million in April 2014) for the purchase of existing assets.

Included in the capital projection is $100 million in new capital investments expected from the East gaming bundle operator. The projection does not include the recently announced modernization of the Niagara Falls casinos.

Modernization Plan Economic Forecast: 2,300 Net New Lottery and Gaming Industry Jobs by March 31, 2018

In March 2012, OLG publicly projected that when the lottery network and gaming facilities were privately operated, net new full-time-equivalent lottery and gaming jobs would increase by 2,300 over 2011 levels. However, OLG did not publicly disclose that this depended on a GTA casino creating 3,300 new jobs, while 1,000 other gaming industry jobs would be lost in the rest of the province. As of March 31, 2014, OLG had not updated its job projections, despite the fact that the March 2012 projections were outdated due to changes to the Modernization Plan, especially the cancellation of a GTA casino.

As of September 30, 2016, OLG estimated that when modernization was fully complete by the 2021/22 fiscal year, there would be approximately 1,700 additional jobs in the gaming industry. As shown in **Figure 7**, the job gain projection is primarily based on the potential expansion of gaming at Woodbine and new sites in the East gaming bundle.

In March 2012, OLG estimated that the Modernization Plan would also result in 4,000 new jobs at hotels, restaurants and entertainment centres, and in retail stores in communities hosting new gaming sites. As of September 30, 2016, OLG had retracted those claims and said that the creation of service sector jobs would depend on private operators' plans for non-gaming amenities in each gaming bundle. OLG projects the largest cluster of service jobs would be in Toronto should gaming be expanded at Woodbine.

Figure 7: Breakdown of Job Gains and Losses by Key Modernization Initiatives as of September 30, 2016
Source of data: OLG

Source or Location	Net Job Gains/(Losses) by March 2021/22
Closing three slot facilities at racetracks[1]	(505)
Niagara casinos' efficiencies[1]	(250)
Windsor casino efficiencies[1]	(287)
East gaming bundle (new sites)	343
GTA gaming bundle (includes Woodbine expansion)	2,285
Lottery operations[2]	150
Total	**1,736**

1. Job losses have already occurred.

2. On September 23, 2016, OLG revised its lottery modernization approach but the job estimates for lottery operations have not yet been updated.

Mental Health and Addiction Matters

The Ontario government commits 2% of annual slot revenue from OLG casinos and racetracks to preventing problem gambling and help for people with gambling problems. In the 2015/16 fiscal year, the government spent $52 million on problem gambling prevention and mitigation initiatives. Of that, OLG spent about $16 million on its own responsible gambling initiatives and the remaining $36 million went to the Ministry of Health and Long-Term Care for research into and prevention and treatment of problem gambling.

As of September 2016, OLG was standardizing its responsible gambling (RG) program across four lines of business (lottery, slots and casinos, Internet gaming and charitable gaming) to deliver a comprehensive program that meets the new AGCO standards, as well as third-party accreditation programs.

Responsible Gambling Check Accreditation

The Responsible Gambling Council (RGC) is an Ontario-based, independent, not-for-profit organization established more than 30 years ago that is dedicated to preventing problem gambling. RGC offers an accreditation program, RG (Responsible Gambling) Check, which awards points to gambling facilities for meeting standards in a number of areas, including corporate policies, self-exclusion options for patrons, advertising and promotion; patron access to money and credit; venue and gaming features; informed customer decision-making; assistance to patrons who may have gambling problems; and employee training. As of March 31, 2014, all 19 OLG gaming sites were accredited by RG Check.

As of September 2016, all OLG gaming sites are in the RG Check re-accreditation process, which is required every three years. The process takes around five months per site and is expected to be completed by March 2017.

In February 2016, OLG's online gaming site, PlayOLG, also received RG Check accreditation.

Internet Gaming—PlayOLG

To ensure OLG considered the impact on communities of mental health and/or addiction matters, and that OLG met its regulatory and third-party RG standards, OLG conducted a review and consultation process from January 2011 to October 2014. Three key RG stakeholders provided input to RG policy development: Centre for Addiction and Mental Health (CAMH), Ontario Problem Gambling Research Centre (now Gambling Research Exchange Ontario) and the Responsible Gambling Council.

To meet regulatory and third-party RG standards, the gaming site, PlayOLG, was launched with tools integrated into the playing experience to help enable patrons to make safe decisions regarding their gambling behaviour. In November 2014, before launching PlayOLG, OLG trained the staff at the site's support centre to identify red-flag behaviours and respond to players. As of September 2016, support centre staff had identified 16 red-flag behaviours in 2015 and that number had increased to 26 in the first eight months of 2016.

As of September 2016, CAMH was studying the impact of the legalization of online gambling in Ontario. It expected to release the results in winter 2017.

Prevention of Problem Gambling

In the April 2014 Special Report, we noted that OLG did not meet several key requirements consistently at its gaming facilities, but it met enough to be accredited for RG Check. For example, OLG's gaming facilities did not meet the requirement that ATMs be placed outside the gaming floor to encourage a break in play by patrons who use them. As well, OLG's new slot machines had not been screened from a responsible-gambling perspective by an external expert.

In August 2013, OLG engaged Strategic Science, an independent consulting group with expertise in gambling research, to review all academic, health

and industry literature addressing questions of gambling behaviour and ATMs. In May 2014, the review found that removing ATMs from the gaming floor was not a long-term solution, since gamblers tended to adapt to the relocation of cash sources. The report also noted that withdrawal limits and RG messaging on ATMs were stronger prevention measures. As of September 2016, OLG had only accepted the ATM messaging suggestion and did not plan to implement withdrawal limits on ATMs or remove them from the gaming floor.

In February 2016, a pilot project of new RG messages displayed on ATMs was introduced at OLG Slots at Woodbine Racetrack. Based on the results of the pilot, ATM messaging was to be rolled out at all OLG sites in fall 2016/winter 2017.

Reinstatement of Self-Excluded Individuals

In the April 2014 Special Report, we noted that RG Check accreditors had found no evidence that OLG offered counselling to patrons who had previously self-excluded themselves from play at casinos and who requested reinstatement. To improve the reinstatement process, OLG collaborated with CAMH to develop a tutorial for self-excluders who wish to return to gambling. The tutorial also links patrons to additional resources. It was implemented for online gambling in July 2015 and at gaming sites at the end of March 2016. The tutorial is mandatory for anyone to be eligible for reinstatement. The effectiveness of the Self-Exclusion Reinstatement Tutorial is being evaluated by OLG; the evaluation is to be completed by March 2017.

Responsible Gaming at Electronic Bingo Halls

By December 2015, OLG and the RGC had installed self-serve Responsible Gaming Resource Centres (RGRCs) at all 31 electronic bingo halls. RGRCs are on-site, stand-alone facilities that offer RG information through multiple formats, such as brochures, videos, posters, digital signage and interactive

kiosks. RGC staff conduct special education events and regular sites visits three times a year. By September 2015, employees at all 31 electronic bingo halls had been trained by CAMH on how to respond to players showing red-flag behavioural signs.

Responsible Gambling in the Horse-Racing Sector

The March 2012 Modernization Plan cancelled the Slots At Racetracks Program, ending OLG's relationship with the horse-racing industry. On October 11, 2013, the Ontario government released a five-year plan for a sustainable horse-racing industry that proposed that OLG integrate horse racing in its Modernization Plan, including applying its responsible gaming (RG) expertise to the industry.

In his January 2015 mandate letter, the Minister of Finance instructed OLG to "[assist] the industry with implementing a responsible gambling strategy" for the horse-racing industry. OLG began consulting with the industry and it worked with an external consultant. A needs assessment report in March 2016 identified current practices and feasible opportunities to enhance RG at race tracks. Industry comments on the needs assessment report were solicited in May 2016 and July 2016. As of September 2016, OLG was expected to finalize its advice based on these consultations by December 31, 2016.

Cancellation of the Slots At Racetracks Program and Impact on Horse-Racing Industry

In the April 2014 Special Report, we concluded that the province and OLG were fully aware that the decision to cancel the Slots At Racetracks Program, which provided $345 million in annual funding to racetrack operators and horse people, would have a significant negative impact on the horse-racing industry and force it to be downsized to levels sustained solely by the betting revenues its generates. The cancellation of the Slots At Racetracks Program, which provided 20% of slot revenues at

racetracks to the horse-racing industry, led to a significant reduction in races and job losses to the industry.

After the Slots At Racetracks Program was cancelled, the Ministry of Agriculture and Food provided transition funding of about $61 million to the horse-racing industry for the year ending March 31, 2014. In October 2013, the Ontario government released a five-year plan for the horse-racing industry. Under this plan, up to $400 million would be provided to the industry over five years, and horse racing would be integrated with the Modernization Plan. Integration with the Modernization Plan included OLG conducting research into potential horse-themed lottery products and bringing OLG's business, marketing and responsible-gaming expertise to bear on the horse-racing industry. On March 31, 2014, the government announced that up to $500 million, instead of the $400 million previously announced, would be provided to the industry over five years ending March 31, 2019. In February 2016, as part of the 2016 Budget, the horse-racing funding was extended by two years to March 31, 2021.

In his January 2015 mandate letter, the Minister of Finance instructed OLG to "create a new line of business within the organization that is focused on horse racing integration activities." The line of business was to be responsible for taking over administration of government funding to racetracks under the Horse Racing Partnership Funding Program (HRPFP) and oversight of provincial tax relief for the industry under the pari-mutuel (horse-race wagering) tax reduction. In the 2015/16 fiscal year, the HRPFP and the pari-mutuel tax reduction provided around $160 million in funding to the horse-racing industry.

In September 2015, a senior vice-president was hired to lead OLG's new horse-racing division— Ontario Racing. The division is focused on three key areas:

- creating a new line of business to guide horse-racing integration activities, including contract management, marketing and shared services support;

- creating the tools and processes to execute the administration of funding for the horse-racing industry; and
- creating effective stakeholder relationships to support the needs of the horse-racing industry through extensive meetings with racetracks and other key industry stakeholders from October 2015 to March 2016.

In April 2016, OLG assumed responsibility for administering the HRPFP funding to the horse-racing industry and oversight of provincial tax relief for the industry under the pari-mutuel tax reduction.

As part of the January 2015 letter, the Minister of Finance also requested that OLG maintain slot machines and other gaming operations at most racetracks. As of September 2016, OLG had executed leases for all 14 gaming sites located at racetracks.

Performance Measures

As of September 2016, OLG has taken the following steps toward developing horse-racing performance metrics:

- established an Ontario horse-racing industry working group called Performance Management Excellence Group with representation from the Ontario Ministry of Agriculture, Food and Rural Affairs, Ontario Racing, the Ministry of Finance and the Alcohol and Gaming Commission of Ontario;
- developed an Ontario horse-racing industry integrated performance management system; and
- selected a list of key performance indicators to gauge the health of the Ontario horse-racing industry and measure its sustainability.

The list of key performance indicators was to be discussed with the racetracks by the end of October 2016. OLG was in the process of collecting data for the selected indicators and planned to have a draft performance report card in place by June 2017.

Horse-Themed OLG Products

OLG began working with the horse-racing industry on new products in September 2014. OLG decided to move forward with two product ideas that did not generate incremental revenue, but provided benefits to the industry in the form of increased awareness. The first product was an online horse-themed slot game through PlayOLG, called "Fire Horse." The second product was a new $5 instant scratch ticket themed around the Canadian Triple Crown. Neither of these products had direct financial impact on the horse-racing industry.

Ontario Racing Marketing Campaign

Starting in 2016/17, as part of the integration strategy, OLG plans to spend $10 million annually on horse racing, including around $5.6 million on marketing and research for the horse-racing industry. OLG hired an advertising agency to work on the horse-racing sector. To date, a new logo and brand for the new industry association, Ontario Racing, has been created and a full paid media campaign (television, cinema, digital, social media and print) was in effect from May 2016 to September 2016.

The same advertising agency was also engaged by OLG to develop a co-branding strategy with Ontario Racing. This campaign launched in June and runs through March 2017. The new OLG.ca website will serve as the main digital medium and will feature key messaging on horse racing, as well as a series of mini-documentaries highlighting various horse people and their contributions to the sport.

Long-Term Funding Model for the Horse-Racing Industry

As part of the February 2016 provincial budget, the government announced a two-year extension to the transfer payment program from March 2019 to March 2021. Beyond this time, OLG is expected to establish a future, longer-term funding arrangement with the industry.

In October 2016, Ontario Racing presented a draft 17-year funding plan to industry stakeholders. The funding, totalling up to $1.6 billion, is projected to begin after the current $700 million funding ends in March 2021, to give the industry $93.4 million annually. Ontario Racing is planning to consult with industry stakeholders on the draft plan, with the goal of having a draft agreement by March 2017 to be submitted for government approval.

Ornge Air Ambulance and Related Services

Follow-Up on *March 2012 Special Report*

RECOMMENDATION STATUS OVERVIEW					
	# of	Status of Actions Recommended			
	Actions Recommended	Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	3	3			
Recommendation 2	4			4	
Recommendation 3	5	3	2		
Recommendation 4	2	1			1
Recommendation 5	4	4			
Total	**18**	**11**	**2**	**4**	**1**
%	**100**	**61**	**11**	**22**	**6**

Background

Under the *Ambulance Act* (Act), the Minister of Health and Long-Term Care is required to ensure the "existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances." In addition, the "Minister has the duty and the power to fund and ensure the provision of air ambulance services." In 2005, the Ministry of Health and Long-Term Care (Ministry) signed a performance agreement with Ornge, a not-for-profit corporation, to become responsible for all air ambulance operations. Through contractual agreements with the Ministry, Ornge was charged with providing Ontarians with both air ambulance services and critical-care land ambulance services, consisting of transferring critically ill patients between health care facilities.

Ornge and its associated companies currently employ more than 600 people, including paramedics, pilots and aviation specialists. Ornge owns and operates a fleet of aircraft and land ambulances stationed at 12 bases across Ontario. It also contracts with independent service providers throughout the province to provide air transportation services to patients and operates a dedicated paediatric transport vehicle out of the Greater Toronto Area.

In the 2015/16 fiscal year, Ornge received $172 million in Ministry funding and was responsible for more than 18,000 patient-related transports, including patients, medical teams and organs for transplant. More than 90% of these were "inter-facility" transfers of patients between health-care facilities. In our 2012 Special Report, we found that the Ministry's accountability agreement with Ornge had hindered its ability to obtain the information it needed to exercise adequate oversight. Examples of areas where the Ministry had not received adequate information to ensure proper oversight and which would have warranted follow-up included:

- The Ministry did not periodically obtain information on the number of patients being transferred or assess the reasonableness of the cost of the services being provided on a per-patient basis.
- Ornge management, with approval of its board, created a network of for-profit and not-for-profit subsidiaries and other companies with which Ornge entered into complex financial arrangements to deliver air ambulance services.
- Ornge's corporate head office was purchased for $15 million in 2011 using funds borrowed through a bond issue, and Ornge subsequently entered into a complex arrangement with some of the other entities it created to sell the building and lease it back to itself at an above-market rate so that it could secure $24 million in financing. This transaction enabled Ornge to extract approximately $9 million by entering into a mortgage bond—based on the value of the property—with a third-party financial services company.
- There was a lack of transparency surrounding the compensation of many senior management staff and board members.
- Ornge's dispatch system did not automatically record the times of key events in the dispatch and patient transfer process, such as the time a call is received.

- The Ministry received limited information on whether requests for patient pick-up and transfer were being responded to in a timely and appropriate manner or whether patients received the appropriate level of care during transport.

As a result of our 2012 audit, a number of significant changes have been made to strengthen the Ministry's oversight processes of Ornge, simplify Ornge's corporate structure, and refocus the organization on its core mandate of providing Ontarians with air and land ambulance transport. These changes include the establishment of a new Ornge board of directors; replacement of Ornge's Chief Executive Officer and other senior management; revisions to the Ministry's performance agreement with Ornge that increased the Ministry's oversight authority by, for example, increasing the Ministry's audit and inspection powers, and requiring Ministry approval of key strategic and operating decisions before Ornge undertakes them; and increasing Ornge's reporting obligations to keep the Ministry well informed of Ornge's activities.

Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) held hearings on this audit in 2012, 2013 and 2014. In June 2013, the Committee tabled an interim report in the Legislature describing issues and observations identified during the 2012 hearings and in October 2014 a second report was tabled, which provided an overview of the many subject areas touched upon throughout the hearings in 2013 and 2014. The Committee's 2014 report identified more than 60 areas of concern about Ornge's operations and the Ministry's oversight, but did not issue any formal recommendations. For a summary of the Committee's concerns and our assessment of whether they have been addressed, see **Chapter 3**, **Section 3.05** in this

Volume 2 of our Annual Report. The Committee's report concluded that the matters identified in our 2012 report could be attributed primarily to the absence of due diligence and oversight on the part of the Ministry in applying a robust account-ability framework; the lack of transparency and accountability on the part of Ornge's management and board of directors, compounded by systemic operational issues; and shortcomings in Ornge's first performance agreement.

Status of Actions Taken on Recommendations

Since our 2012 audit, the Ministry has revised Ornge's performance agreement to better establish its oversight expectations, increase Ministry powers consistent with government agency agreements, and provide for more frequent reporting to enable better oversight. The Ministry has established new performance measures, such as a 15-minute target from the time of pilot acceptance of a call to the time air traffic control clearance is requested (for emergency and urgent calls) for all Ornge aircraft. The Ministry has also revised existing performance measures to increase the timeliness with which Ornge must take corrective action. For example, when Ornge has not ensured that medical staff are qualified to provide patient care they must cease using their services and establish a plan to rectify the situation within seven days (formerly it was thirty days). The Ministry has also increased Orn-ge's reporting obligations. Ornge is now required to provide better information on both its financial and operational performance. For example, the performance agreement requires Ornge to report regularly to the Ministry on call volumes, number of requests for service, percentage of requests serviced, reasons why calls were not serviced, and number of patients transported.

Ornge has taken steps to streamline and simplify its organizational structure by reducing the number of total entities from nineteen to seven, with further plans for amalgamation on-going. In addition, Ornge has implemented a new computer-aided dispatch system that provides it with real-time information on the position of its air and land ambulances. This gives Ornge the ability to track and record all aircraft flight distances automatically via satellite and calculate patient distance travelled for both patient and non-patient legs of transport. It also allows for better tracking of the reason for and use of medical escorts, who may accompany patients when Ornge cannot provide the level of care required. Ornge has also investigated the rea-sons that a significant number of calls are cancelled after take-off. It is in the process of reducing these occurrences by working with municipal emergency medical services and central ambulance communi-cation centres, which are responsible for directing the movement of provincial land ambulances and emergency response vehicles within set geographic areas, to more clearly define the criteria for request-ing air ambulance services. According to Ornge, this process should further decrease the number of cancelled calls within these set geographic areas.

However, the Ministry has made little progress in assessing the total demand for critical-care land ambulance services, determining the optimal number of critical-care land ambulances that Ornge requires and determining the cost of different models for providing critical-care land ambulance services in Ontario. The Ministry also indicated that it would not be implementing our recommendation of expanding the service agreement's performance requirements to measure response times from the time a call is initially received to when Ornge arrives on site, and to when the patient reaches his or her destination.

The status of actions taken on each of our recommendations is described in the following sections.

Ornge's Performance Agreement With The Ministry

Recommendation 1

To ensure that the amount paid for air ambulance and related services is reasonable for the level of service provided, the Ministry of Health and Long-Term Care should:

- *consider renegotiating Ornge's performance agreement to provide it with direct access to affiliated organizations with which Ornge has directly or indirectly entered into contracts, or develop an alternative mechanism to ensure that the public's interest in Ontario's air ambulance service is being protected;*
  Status: Fully implemented.

Details

The Ministry of Health and Long-Term Care (Ministry) signed a revised performance agreement with Ornge on March 19, 2012, and a further amended agreement on August 13, 2015. Significant revisions were made to the agreement to address concerns raised in our 2012 Special Report, including explicitly outlining actions that require Ministry approval: purchasing or leasing real property (land or buildings); borrowing money or incurring debt outside of routine business transactions; selling, leasing, mortgaging or disposing of assets; and entering into agreements with affiliated companies. The performance agreement allows the Ministry to perform unannounced inspections of Ornge regarding its obligations under the agreement and the use of Ministry funding. Ornge is also obligated under the agreement to provide over 50 reports to the Ministry at various intervals throughout the year covering aspects of its operations, finances and business activities.

In July 2012, the Ministry also established an air ambulance oversight unit to directly oversee Ornge's compliance with the revised performance agreement. The Ministry is currently undertaking a review of the current governance model regarding how it oversees Ornge and conducting risk assess-ments to ensure that on-going oversight of Ornge is appropriate. One thing it is looking at, for example, is whether the current, rigorous oversight model is necessary or whether some of the levels of approval can be discontinued. A joint Ministry-Ornge risk assessment working group was established in May 2016 to facilitate this process.

To address concerns over corporate restructuring, a key change to the revised performance agreement requires Ornge to obtain Ministry approval prior to altering its corporate structure. Whereas previous Ornge leadership created nineteen for-profit and not-for-profit entities, the new leadership team and volunteer board of directors (which assumed control in January 2012) have worked to streamline Ornge's corporate structure, which now consists of seven entities. Entities such as J Smarts (part of Ornge's charitable foundation) have been dissolved, and Ornge, with the consent of the Ministry, has further amalgamated various subsidiaries within its control. For example, Ornge Corporate Services Inc., Ornge Global Real Estate Inc. and Ornge Real Estate Inc. became a single entity in October 2016. Certain for-profit entities with which Ornge is no longer affiliated, such as Ornge Global Holdings LP, Ornge Global GP Inc. and Ornge Global Solutions Inc., went bankrupt in 2012, because of money owed to Ornge Global Real Estate Inc. and other private-sector companies. The Ministry has decided to let these entities shut down in due course as the appropriate tax bodies take action when they do not remit their required annual tax returns. Under Ornge's current structure, it receives funding from the Ministry and may only direct it to entities that deliver core air ambulance and related services, such as Ornge Global Air Inc., which employs Ornge's fixed wing aviation employees. Each of the Ornge-controlled entities is also consolidated in Ornge's financial statements, which are provided to the Ministry. This minimizes the risk of funds being directed outside of the organization.

To further protect the public's interest in air ambulance services, changes have been made to the *Ambulance Act t*o legally strengthen the Ministry's

oversight, similar to its powers over public hospitals. For example, amendments effective July 1, 2015, give the government authority to appoint special investigators or a supervisor when it is in the public interest to do so; appoint members to Ornge's board of directors; issue binding ministerial directives; prescribe terms of the performance agreement in regulations; and provide whistle-blower protection for staff members.

The revised performance agreement also requires Ornge to comply with the *Broader Public Sector Executive Compensation Act, 2014*; the *Broader Public Sector Accountability Act, 2010*; and the Broader Public Sector Expenses Directive issued by the Management Board of Cabinet, which requires Ornge to establish expense reimbursement rules applicable to board members, employees, consultants and contractors engaged by the organization, and post them publicly on its website.

- *determine whether the amount it pays Ornge is reasonable by, for example, obtaining and evaluating information on the cost and delivery of air ambulance and related services compared to previous years and to costs incurred by other operators in Ontario and other jurisdictions; and*
  Status: Fully implemented.

Details
In February 2013, the Ministry completed a literature review and inter-jurisdictional scan of air ambulance services and produced a comparative summary document. The Ministry found that none of the other jurisdictions it looked at were comparable to Ontario in terms of the range of services provided or type of geography that is serviced by Ornge. The Ministry also found that comparable program-cost information for air ambulance services in other jurisdictions was not readily available to the public, and therefore a reliable cost comparison was not feasible. The Ministry informed us that it did not contact other jurisdictions that provide air ambulance services because Ornge provides a more

diverse range of such services than any other jurisdiction, and therefore comparisons could not readily be made. As per the terms of the requirements of the revised performance agreement, the Ministry instituted a zero-based budget methodology for the 2013/14 fiscal year, which has been in place since. The annual zero-based budget (which requires that all expenses are justified for each period instead of providing justification only for changes from a previous period) that Ornge presents to the Ministry outlines its budgeted expenses in individual areas such as air ambulance, base hospitals and organ recovery, and provides justification for all expenses by function for each funding year. The Ministry receives quarterly financial reports and holds meetings with Ornge every other month to discuss its financial position. The Ministry is thereby able to oversee actual spending compared to what is forecast. In addition, the Ministry completes an annual performance and trend analysis that provides a year-over-year cost comparison of the air ambulance program.

- *establish, in consultation with Ornge, additional measurable performance indicators for air and land ambulance services, and obtain more frequent and informative reports on the extent to which these performance expectations are being met.*
  Status: Fully implemented.

Details
The revised performance agreement increased Ornge's mandatory reporting requirements. The previous agreement required annual reporting of performance indicators, an operating budget, financial statements and quarterly expense reports. The revised performance agreement still requires those reports but has also increased Ornge's reporting obligations to include a minimum of 52 reports to be provided to the Ministry throughout the course of the year. The mandatory reports are grouped into categories of operations; finances; business, labour, legal; and stakeholders. Most reports in the

operations category are required monthly including 13 reports providing the Ministry with information on call volumes, number of requests for service, percentage of requests serviced, reasons why calls were not serviced, number of patients transported, appropriate level of care provided, response times, aircraft availability, average cost of services per patient and the percentage of calls requiring medical escorts. The financial category contains ten reports, most of which are provided annually to the Ministry, including an operating budget, operational plan, in-year expenses and annual expenses.

In addition, new performance indicators have also been introduced, requiring Ornge to comply with time targets, such as requesting air traffic control clearance within 15 minutes (if already fuelled) or 25 minutes (if not already fuelled) of a pilot's acceptance of the call for all dedicated aircraft emergency and urgent calls. The revised performance agreement further explicitly states that Ornge's success or failure in meeting these performance indicators is a factor in establishing its annual funding. The Ministry also receives a daily update from Ornge providing a summary of call volumes, including reasons for calls not serviced and service delays.

Land Ambulance Services

Recommendation 2
Given that Ornge has been transporting critically ill patients between health-care facilities for more than three years, the Ministry of Health and Long-Term Care should conduct a formal program evaluation, including:

- *assessing the current total demand for critical-care land ambulance transports in Ontario and whether the program is meeting the needs of the facilities that patients are being transferred between;*
Status: Little or no progress.

Details
In March 2013, the Ministry hired a consulting firm to complete a program review evaluating the Critical Care Land Ambulance (CCLA) program's ability to address our 2012 Special Report recommendations and whether it was achieving Ornge's intended program outcomes of providing coordinated, fast and safe transport of critically ill patients; relieving pressure on land ambulance services; reducing the need for hospital escort staff for critical-care patient transfers; and reducing reliance on air transportation. The final report was provided to the Ministry in August 2013. It concluded the CCLA program has filled an essential need for critical care inter-facility land transports; the CCLA program provided safe transport for both patients and paramedics conducting the transports but there were opportunities to further enhance patient and staff safety; the program was sufficiently resourced to take on greater transport volumes; and the program has saved hospitals $3.2 million since inception in medical-escort costs for CCLA transports. The consultant was unable to definitively conclude on the current total demand for transports due to a lack of data necessary to categorize whether patients requiring critical care were more appropriately transported by land or air. As a result, the consultant's report was only able to state that potential demand was between 16,000 to 31,000 transports annually.

In September 2013, a group of representatives from the Ministry and Ornge, as well as external health partners including the Ontario Hospital Association and Local Health Integration Networks (LHINs), came together to address the integration of inter-facility medical transportation across Ontario as part of the Enhancing Emergency Services in Ontario initiative. They concluded work in February 2014 with the Ministry recognizing a need for further integration amongst all health-care delivery partners to better serve patients and improve the quality of patient care while controlling costs. As a result, the Ministry is undertaking a multi-year strategic reform of emergency health

care services, called "Enhancing Emergency Services in Ontario 2.0," to improve and sustain the quality of coordinated care across the patient's journey. The Ministry advised us that determinations about the future state of the CCLA program might be considered as this work progresses. The Ministry is considering whether to assess CCLA demand as part of this new initiative, which is to commence in the next several years.

- *since the number of transfers has been significantly less than expected, determining the optimal number of land ambulances Ornge requires;*
  Status: Little or no progress.

Details

The August 2013 consultant's report on CCLA services estimated the time each ambulance spent on calls and other required activities, such as the return trip to base, and multiplied this by the number of transports to determine the total "time on task." It compared this with the total vehicle availability at each base and determined that each vehicle spent less than a third of its time on required activities. The consultant found that each base therefore required only one vehicle, and recommended that each base also have one backup vehicle. The consultant's report on CCLA services concluded that, "considering the current number of bases, the current complement of eight vehicles is assessed to be the minimal number of ambulances required to perform current volumes and support operations safely." However, the report did not assess whether CCLA services could be administered through a different service model throughout the province, which is information that would be necessary to determine the optimal number of ambulances needed.

- *determining the capacity for municipal land ambulances—including those of Toronto Emergency Medical Services, which currently*

responds to most calls—to transport these patients instead of Ornge doing so; and
Status: Little or no progress.

Details

The August 2013 consultant's report concluded, based on discussions with four municipalities, that there was limited capacity at the municipal level, except in Toronto and Ottawa, to conduct CCLA transports given that not all municipalities had critical care paramedics on staff and did not have the mandate and/or funding to perform CCLA transports. It further noted that while Ottawa had the critical care paramedic resources available, it did not have the mandate or the funding to assume those types of transports. The Ministry has not otherwise assessed the capacity of land ambulance services in the province to provide critical care transports directly.

- *comparing the costs of different service options to help determine whether patients can be safely transported more cost effectively than under the current model.*
  Status: Little or no progress.

Details

The August 2013 consultant's report included a high-level analysis that examined the feasibility of four different models for optimizing the efficiency of critically ill patient transport in Ontario. The pros and cons of each model were assessed, including a qualitative discussion on cost impacts. The report put forth the following models: 1) all CCLA services assumed by Ornge; 2) centralized management/dispatch/medical oversight (centralized either at Ornge or another entity); 3) hospital-based teams and local emergency medical services dedicated to critical-care transport, dispatched centrally by Ornge or another entity; and 4) CCLA emergency medical services managed and delivered by municipalities. The report recommended that the models should be further explored before determining a course of action.

Dispatch Of Ambulances

Recommendation 3

To help ensure that air ambulance and related services meets patients' needs cost-effectively, Ornge should:

- *ensure that its new dispatch system reliably tracks flight distances and cost data so that the most appropriate aircraft can be efficiently routed to pick up and deliver patients requiring transport;*
Status: Fully implemented.

Details

On June 1, 2015, Ornge implemented a new computer-aided dispatch system for its air ambulances and critical care land ambulances. The new dispatch system provides Ornge with the real-time current position of its aircraft; time information on engine start, take-off and landing; course and altitude information; real-time current position of Ornge's land ambulances; and estimated arrival times at facilities based on real-time traffic conditions. The dispatch system uses a flight-planning platform to track all aircraft flight distances based on origin and destination information inputted into the system by Ornge staff once a transport has been accepted. During transport, the system records aircraft position via satellite tracking. Upon call completion all tracking data is automatically transferred into the dispatch system, which calculates the distance the patient travelled and the distance travelled for each leg of the journey, and segregates information for both patient and non-patient legs of the journey.

For non-urgent and scheduled transfers, which are typically performed by standing agreement carriers, cost is always to be considered. Ornge uses its Long-Term Planning (LTP) optimization tool, which generates the most cost-effective routes for all next-day non-urgent patient transfers based on the negotiated rates for standing agreement carriers that have been programmed into the LTP tool. Ornge monitors overall flight costs through a

monthly financial report on flight hours, fuel costs and other costs, such as landing fees. This monthly report is reviewed and analyzed by Ornge's finance department and senior management to ensure costs are in line with expectations.

Ornge informed us that, in accordance with its policies, cost is not used as a basis for selecting an aircraft for on-scene calls and emergency transfers within its dispatch system. For example, for transfers involving threats to life or limb or imminent risk of deterioration if an immediate transfer is not conducted, the fastest, most appropriate ambulance is selected without consideration of costs. Ornge uses a number of tools to improve the consistency of its dispatch decision-making process, including an algorithm to address ambulance selection and a "search closest ambulance" feature that ranks ambulances by time and distance parameters. In October 2016, Ornge introduced a new requirement that its dispatch staff use this tool for urgent and emergency transfers. For urgent transfers, that is patients with conditions that could become serious enough to require an emergency intervention, Ornge's transport medicine physicians can exercise judgment on whether a less costly flight can be used as an alternative. Ornge's policies explicitly state that if two or more ambulances are available and meet the patient's needs and would take the same time to provide care, Ornge staff should assign the most cost-efficient ambulance.

- *work with the Ministry of Health and Long-Term Care (Ministry) to electronically link its dispatch system to the land ambulance dispatch systems run by the Ministry and municipalities;*
Status: In the process of being implemented by March 2018.

Details

Preliminary integration efforts are underway between Ornge and the Ministry to integrate Ornge's dispatch system with the 22 central ambulance communications centres (CACCs) that are responsible for directing the movement of all provincial

land ambulances and emergency response vehicles within given geographic areas. The Ministry has drafted a technical specifications document for this project. Ornge is part of the joint project team on systems development and implementation activities. A project kick-off meeting was held in July 2016 with members of both the Ministry and Ornge to outline the scope, timelines and governance structure of the project. The Ministry expects that initial deployment will take place at one CACC by March 2017, with future deployment at the remaining CACCs to be completed by March 2018.

- *track and analyze how often hospital staff must accompany a patient because appropriately trained Ornge paramedics are not available, and determine if there are any systemic issues, such as not enough paramedics being available at a particular base, that need to be addressed; and*
  Status: Fully implemented.

Details

At the time of our 2012 audit, Ornge did not consistently have sufficient staff to provide medical escorts at the required level of care. Ornge addressed this in 2014 by both partnering with Cambrian College to provide an advanced-care paramedic training program and by providing internal training to upgrade the qualifications of their existing paramedic staff. Through this renewed focus on paramedic training, nine paramedics in 2014 and 16 paramedics in 2015 progressed from primary-care to advanced-care paramedic (flight) certification and 13 paramedics in 2014 and six in 2015 progressed from advanced-care paramedic (flight) to critical-care paramedic certification. This was an improvement over 2013, when only five paramedics obtained upgraded certifications.

With implementation of its new dispatch system in June 2015, Ornge is able to track the number of transports for which a hospital medical escort was required because it could not provide an escort at the required level of care. Data for the period from January 1, 2016 to March 31, 2016, indicated that less than 1% of serviced calls required a hospital medical escort due to Ornge's inability to provide the required level of care.

However, the full implementation of this recommendation does not indicate that Ornge was always able to provide the required level of care for all calls, and in some cases medical escorts were required.

- *review the reasons why a significant number of flights are cancelled after takeoff and take action to reduce such occurrences.*
  Status: In the process of being implemented by March 2018.

Details

High rates of cancelled calls most commonly result from requests for an on-scene helicopter, and are variable across central ambulance communication centres (CACCs) and municipal emergency medical services. On a monthly basis, Ornge's finance team and executive management review trends of reasons for calls not serviced along with comparative year figures. These reports highlight that the majority of calls not serviced are cancelled because of weather conditions or cancelled by local emergency medical services. To help reduce the frequency of cancelled calls, Ornge consulted with stakeholders throughout 2014 and 2015, including land ambulance emergency medical services and CACCs, to raise awareness about appropriate air ambulance requests. For example, Ornge indicated the CACCs were sometimes requesting air ambulances even when it was clear that land ambulance services would arrive first. In these consultations Ornge introduced a geographic boundary guideline to help determine whether an air ambulance should be requested or not. Specifically, boundaries were to be based on a 30-minute drive under normal driving conditions around each lead trauma hospital for specific emergency medical services near Ornge's hospital bases in Ottawa, Sudbury, Thunder Bay, London, Hamilton and Toronto.

Requests for ambulance service within those geographic boundaries would generally not require an air response because a land ambulance could transport the patient faster. However, Ornge noted that CACCs would still be permitted to exercise judgment and could still request air response for any on-scene call. Ornge advised us that it expects that these boundaries will be used as references tools to help reduce the rate of calls not serviced within these geographic boundaries. Although adoption and implementation of these boundaries is at the discretion of the emergency medical services and CACCs, as of September 2016, 12 CACCs or emergency medical services had communicated the boundaries to their staffs. Ornge had not yet evaluated whether the guideline had resulted in fewer incidents of cancelled calls, but it planned to do so by the end of March 2018.

- *To assist it in adequately overseeing Ornge's ambulance operations, the Ministry should require that Ornge periodically report the number of cancelled and declined calls, categorized by the main reasons.*
  Status: Fully implemented.

Details

Since March 2012, the revised performance agreement requires Ornge to report call volumes to the Ministry on a monthly basis, including the number of requests for service, the percentage of requests serviced and reasons why calls were not serviced. Results for the month ending March 31, 2016 indicated that 30% of the 2,090 total requests received were cancelled. Of those cancelled, 20% were due to the patient being transported by local land ambulance services; 15% due to weather; and the remainder due to more than 15 other reasons, including transports requested in error.

Response Times

Recommendation 4

To enable air ambulance response times to be assessed against performance standards and for reasonableness:

- *Ornge should ensure that all key times in the call-handling process—such as the time the call request is received, the time the call was accepted or declined, and the time the ambulance was airborne—are recorded and that any trends and significant variances from expectations are investigated; and*
  Status: Fully implemented.

Details

With the implementation of Ornge's new computer-aided dispatch system on June 1, 2015, key times are recorded in the call-handling process, including request for service; patient information is complete; weather check complete; call accepted or declined; departure from base; arrival at landing site; and arrival at patient destination.

Ornge's internal reporting on response times includes the following:

- An annual performance report to Ornge's Operations Committee that includes response-time performance for air and land transfers. For example, Ornge must advise callers within 10 minutes of a request for service whether it is able to dispatch an aircraft for scene calls.
- A quarterly report that includes information on whether Ornge has met its response-time targets for air transfers. For example, the time from when Ornge is originally contacted to when the aircraft departs from base must be less than 16.5 minutes for scene calls.
- Daily reporting on calls via the "One Number to Call" initiative to the Ornge's Operations Control Centre (through which CritiCall Ontario, on behalf of the referring hospitals, coordinates inter-facility transport by Ornge of patients whose life or limb is threatened). For example, the time from when Ornge

receives the referral to when the patient arrives at their destination; and

- Daily reporting on dispatch response time from Ornge's Operations Control Centre. For example, the number of instances that Ornge advises callers, within 20 minutes of a request for a high-priority (acute-care) transfer, whether it can dispatch an aircraft.

In December 2015, Ornge's Corporate Quality, Risk and Safety Management Steering Committee struck a multi-disciplinary committee aimed at continuing to improve internal monitoring of response time trends and variances. The "Triage and Dispatch Review Action Group" reviews dispatch decision-making for specific types of calls, including cases where a patient died before Ornge arrived on scene or at a sending facility for inter-facility transports. Cases are presented to the committee through open discussion and follow-up actions are documented along with operational recommendations to the Corporate Quality, Risk and Safety Management Steering Committee, with the intent to improve dispatch decision-making.

In March 2016, the Corporate Quality, Risk and Safety Management Steering Committee also created the "Strategic Analysis of Data Review Action Group," which systematically reviews trends and variances in response times and other performance indicators to make operational recommendations to the Corporate Quality, Risk and Safety Management Steering Committee. The group's first meeting was held in July 2016.

- *the Ministry of Health and Long-Term Care, in conjunction with Ornge, should expand the service agreement's performance requirements to include indicators on response times for the key stages of a patient transport (that is, from the time a call is initially received, to when Ornge is on site, and to when the patient reaches his or her destination).*
  Status: Will not be implemented.

Details

The revised performance agreement does not include any measures regarding the time period from when a call is initially received to when Ornge arrives on site, or to when the patient reaches their destination. The Ministry indicated that it did not include these measures in the agreement because of feedback it received from its experts in air ambulance transport. It convened these experts in January and February of 2012 to identify performance indicators used in the air ambulance transport system. The Ministry indicated that, because Ornge's services cover a wide geographic area, the time required to arrive on scene or at a facility depends heavily on distances travelled; therefore, measuring response times based on the time a call is received to the time an Ornge aircraft is deployed more appropriately measures whether Ornge is transporting patients in a timely manner. Consequently, the Ministry has not systematically assessed whether other jurisdictions use "arrival at destination" as a performance indicator, but will raise this issue at the next meeting of a Canadian air ambulance discussion group consisting of provincial representatives from across the country. This group meets quarterly. We continue to believe that this performance measure provides a clear picture of services that would be understandable by air ambulance users.

Oversight of Operational Activities

Recommendation 5

To better ensure the safe provision of air ambulance services:

- *the Ministry of Health and Long-Term Care (Ministry) should periodically conduct unannounced service reviews of air ambulance service providers, including Ornge and its dispatch communications centre;*
  Status: Fully implemented.

Details

The revised performance agreement allows the Ministry to enter Ornge's premises unannounced at any time to review Ornge's provision of services and expenditure of funds. Beginning in 2012, unannounced inspections focusing on the paramedic side of Ornge's air and land operations became part of the service certification process, which is required of all ambulance operators (a formal certification process is required every three years to confirm an operator meets legislated certification standards). From April 1, 2015, to June 15, 2016, the Ministry performed 12 unannounced inspections. The Ministry indicated that it has noted improvements at both Ornge and the standing agreement carriers since it started these inspections.

- *Ornge should use its recently improved complaint tracking system to determine whether there are any systemic issues that warrant follow-up; and*
  Status: Fully implemented.

Details

Ornge implemented a new complaint tracking system in February 2011 and indicated that currently all complaints are captured for logging and investigation purposes, and complaint investigations are centrally overseen. Specifically, Ornge re-established its Professional Standards and Compliance Unit in 2012 to report directly to the Director of Paramedic Operations instead of to numerous organizational areas as it did previously. Since 2012, this unit leads complaint investigations and corrective action planning, which includes conducting discussions of results of investigations with relevant departments.

In 2015, Ornge created a classification tool to be used at the conclusion of each complaint investigation to help make its trending analysis more consistent. Ornge's Professional Standards and Compliance unit also reviews trends on a monthly and quarterly basis, with trending data categorized into groups including patient/family behaviour;

documentation; medication; medical devices; and patient accidents while in Ornge care. In addition, patient complaint data is reported quarterly to Ornge's Quality of Care Committee and to the Ministry. Stakeholder complaints (for example, from a health-care provider) and any related investigations are reported to Ornge's Operations Committee, which reviews the information and asks questions. Corrective action is taken by the Professional Standards and Compliance Unit and any other applicable business units where required.

- *Ornge should continue to review its quality assessment evaluation measures and update them as necessary to ensure they reflect key elements of good patient care.*
  Status: Fully implemented.

Details

Ornge performs quality assessment evaluations twice per year. This is done by examining a sample of medical charts to determine its performance on a number of clinical indicators. From 2012 to 2013, Ornge conducted a review of its quality assessment evaluation measures through its participation in an international consensus group. The group used evidence-based practices to develop clinical performance indicators and benchmarking tools for critical-care patient transports by air and land. Based on this work, changes were made in April 2015 to the clinical indicators Ornge uses. The updated indicators were first used to evaluate medical charts in the six-month period between April and September 2015, and the results were presented to Ornge's Medical Advisory Committee in December 2015. The Medical Advisory Committee in turn presented its review of Ornge's revised clinical metrics and related performance to its Quality of Care Committee in March 2016.

- *To improve its monitoring of air ambulance services, the Ministry should clarify with Ornge which complaints, incidents and resulting investigations Ornge must forward to the Ministry.*
  Status: Fully implemented.

Details

Ornge's patient advocate is an Ornge staff member who assists patients and their caregivers by providing information on the air ambulance system, responds to their questions and concerns regarding air ambulance transport, and provides information about and assistance with Ornge's complaints and patient-relations processes. The revised performance agreement requires Ornge to immediately submit to the Ministry any complaint received by its patient advocate. Ornge must also submit to the Ministry information on any occurrence of an incident as described in the Ambulance Documentation Standards, which municipal land ambulances are also required to adhere to. For example, the Ambulance Documentation Standards require ambulance operators to report an unusual response or service delay that may have negatively impacted the provision of patient care, or any circumstance that resulted in harm to a patient. Ornge provides this notification to the Ministry and the Ministry then determines, in consultation with Ornge, whether the Ministry, Ornge or both together will conduct an investigation into the complaint or incident. Ornge is required to submit to the Ministry for review any investigations Ornge is responsible for conducting.

Ministry of Transportation

Winter Highway Maintenance

Follow-Up on *April 2015 Special 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	1	2		
Recommendation 2	1	1			
Recommendation 3	1	1			
Recommendation 4	1	1			
Recommendation 5	3		3		
Recommendation 6	5	2		2	1
Recommendation 7	4	2	2		
Recommendation 8	1		1		
Total	19	8	8	2	1
%	100	42	42	11	5

Background

Winter highway maintenance in Ontario was done by employees of the Ministry of Transportation (Ministry) and by private contractors up to 2000, when the work was more fully outsourced to private contractors.

From 2000 to 2009, the Ministry used two kinds of contracts for winter highway maintenance work: Managed Outsourcing contracts, where it hired multiple contractors (that had winter equipment)

to provide specific services such as plowing, salting and sanding, and Area Maintenance Contracts, which required one contractor to do all summer and winter highway maintenance work in a given geographic area using the Ministry's standards and best practices.

In 2009, the Ministry sought to cut costs by eliminating the Managed Outsourcing contracts and using "performance-based" Area Maintenance Contracts only. Under the new contracts, contractors were no longer told *how* to do the work—only the *outcomes* expected of them. This change resulted in roads not being cleared as effectively as before.

Instead of having to follow the Ministry's historically proven best practices on, for example, the amount of equipment (snow plows, and salt and sand spreaders) required to effectively clear highways, contractors could decide independently how much equipment to use.

In addition, the Ministry procured private contractors primarily on the basis of the lowest price bid, without properly ensuring that winning bidders were fully equipped to provide effective service.

All of these factors led to a decrease in service levels for winter highway maintenance across the province, resulting in less safe driving conditions. Highway maintenance during storms also declined, and the Ministry reduced services for highway shoulders, ramps, and truck-climbing and passing lanes.

While service levels for winter highway maintenance declined with the introduction of the new performance-based contracts, the Ministry did achieve significantly lower costs, and kept costs from rising as much as they would have under the old contracts.

Beginning in late 2012, the Ministry began to negotiate increased equipment and service levels with contractors in an effort to improve winter highway maintenance.

In February 2014, the Standing Committee on Public Accounts requested that we review the winter road maintenance program from one year before it was privatized. Among our findings included in our *2015 Winter Highway Maintenance* special report:

- **Contractors used less equipment under performance-based contracts, resulting in service reductions**—One of the most important factors in adequately maintaining highways in winter is having enough equipment, such as plows and spreaders. The old contracts set out numerous best practices for contractors with respect to how much equipment to use to do an adequate job. However, the Ministry's lowest-bid procurement process for the new contracts created a natural incentive to cut costs in order to win contracts. Most contractors aggressively minimized their winter equipment fleets, reducing their ability to meet contract requirements and leading to reduced service.

- **Contractors used less treatment material to service highways under performance-based contracts**—Spreading treatment materials such as salt, sand and anti-icing liquids over highways is important for winter maintenance. The Ministry's lowest-bid procurement process again created a natural incentive for contractors to cut costs by using less treatment material. Under the old contracts, contractors had to reimburse the Ministry if they did not use minimum stipulated amounts of treatment materials, ensuring that contractors would at least use these minimums. Under the new contracts, this reimbursement requirement was eliminated, so contractors no longer had any incentive to use the same amount of salt or sand. For anti-icing, some contractors chose to use none at all.

- **Contractors were unable to meet contract requirements**—Ministry audits identified about 1,100 instances in 2013/14 where contractors did not meet multiple outcome targets of their contracts. About half of these related to contractors being unable to complete highway-clearing circuits on time. The failure to meet this target could often be attributed to insufficient equipment, which put the safety of the public and of emergency-services providers at risk because contractors did not plow or salt at all, did so too infrequently, or drove equipment too quickly for the plowing and salting to be fully effective.

- **The procurement process did not adequately factor in contractors' ability to deliver required services**—The procurement process had two stages for contractors that met the minimum pre-qualification requirements. In the first, contractors submitted winter maintenance strategies, which the Ministry scored on a set of criteria. Any contractor

that scored 70% moved to the second stage, in which the contractor proposing the lowest price won the contract. Because of how points were assigned for the different criteria, it was possible for contractors to score 70% and pass on to the bid stage without meeting all the requirements needed to deliver adequate service. For example, the proper amount of equipment is crucial for maintaining winter highways, but having enough equipment accounted for only 15% of the scoring criteria in the first stage. Once at the second stage, qualitative differences between contractors were irrelevant in choosing the winning contractor—the only factor considered from this point on was how low a price the contractor bid.

- **Procuring the lowest bidder can cost more in the long run**—We noted one case where the second-lowest bidder had a much bigger equipment fleet than the lowest bidder, which won the contract. Specifically, for an annual price of only $700,000 more, the second-lowest bidder proposed the use of 22 more pieces of equipment than the winning contractor. As the winning bidder ultimately failed to meet required service levels, the Ministry incurred an annual additional cost of $1.7 million for 13 additional pieces of equipment. Had the second-lowest bidder won the contract, the area could have been served with significantly more equipment for roughly $1 million less.

- **Over-reliance on contractors' self-reporting their performance**—Verifying whether contractors met certain outcome targets can be done only in the field during and immediately after snowstorms. However, we noted that most audits conducted by the Ministry were "desk audits," conducted a few weeks after a storm, using GPS tracking data and information from contractors self-reporting their own performance. This presented a potential conflict of interest: it was not in the contractors' interest to report that they have not achieved

outcome targets, and contractors were aware that the Ministry has only a minimal presence in the field. Although this was the case, Ministry desk audits still found many instances of inaccurate or incomplete information reported by contractors.

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

Status of Actions Taken on Recommendations

The Ministry of Transportation (Ministry) provided us with information in summer 2016 on the current status of the recommendations in our *2015 Winter Highway Maintenance* special report. Based on our review of the information, the Ministry has fully implemented 42% of our recommendations. These recommendations relate to improving contractor performance and public awareness of winter road conditions. For example, the Ministry is providing additional tools on the Ontario 511 website to help people monitor actual road conditions and the progress of road clean-up.

The Ministry has also made significant progress on 42% of the other recommendations. It has already begun to make some swift, needed changes to how it manages contractors that perform winter maintenance. Nevertheless, since the performance-based contracts are in effect until 2026, it will take the Ministry until then to fully implement all of our recommendations.

The status of each of our recommendations is as follows.

Quantities of Equipment

Recommendation 1

To ensure effective winter highway maintenance and enhance road safety, the Ministry of Transportation should:

- *verify that contractors have a sufficient quantity of each type of winter equipment, in good working order, in all contract areas (this might include introducing guidance for contractors to use in their equipment calculations relating to circuit times, circuit lengths and equipment speeds);*

- *if it determines that an area has an insufficient quantity of each type of winter equipment for effective highway maintenance, work with that area's contractor to resolve issues and bring winter road maintenance to effective levels;*
  Status: In the process of being implemented by fall 2017.

Details

The pre-2009 Area Maintenance Contracts required that the minimum amount of equipment needed to properly plow and salt highways be calculated using a formula based on the Ministry's best practices. However, our 2015 audit had found that the new contracts removed this requirement, thereby allowing contractors to use less equipment. Contractors working under the new contracts were found to be using 22% less equipment than they previously used, which led to a reduction of service. Our audit had also found that plowing and salting service levels in a few contract areas had decreased because contractors used poorly functioning equipment.

In our current follow-up, we found that the Ministry has implemented requirements for calculating equipment complements into a new contract awarded for the Kenora area, the only new contract since our audit in 2015. The contract for Kenora also required the contractor to develop and follow an equipment maintenance strategy that ensures that equipment will be in good working order throughout the winter season. For instance, this strategy required that the contractor have on hand spare equipment equal to 10% of its actively used equipment.

For the 19 other contracts already in place elsewhere in the province, equipment counts were brought to sufficient levels through change orders or contract amendments that required additional plows, salt spreaders and combination units. A total of 22 plows, 16 salt spreaders and 20 combination units have been added in these 19 contract areas.

As of the winter of 2015/16, the Ministry began ensuring that equipment is in good working order by requiring that contractors' equipment meet reliability criteria for about 20 different inspection components. For example, one requirement is that plow blades should be undamaged and hydraulic systems to lift and move them should be properly working. These contractor self-inspections are required to be done at the start of the winter, and then monthly throughout the winter season.

For the 2015/16 winter, contractors in two areas did not perform these inspections at the start of the winter; and contractors in 10 areas either did not perform monthly inspections during the winter, or their equipment was not reliable. For those contractors that performed the inspections, the Ministry gave them an incentive of $4,000 to regularly inspect and maintain each piece of equipment. We encourage the Ministry to continue finding ways to ensure that contractors in the remaining areas conduct these inspections and have the required equipment in good working order.

AUDITOR GENERAL'S RECOMMENDATION

We recognize that the Ministry has taken action to ensure that equipment is in good working order throughout the winter season by providing contractors with a financial incentive for the existing 19 areas. However, we recommend that the Ministry re-evaluate the necessity of providing incentive payments to contractors given that keeping equipment in good working order should be included in the cost of doing business with the government.

- *establish protocols for appropriately and consistently responding to requests from its staff for increased winter highway maintenance.*
  Status: Fully implemented.

Details

In 2015, we found that Ministry staff and engineers could make requests for more frequent plowing in certain areas such as ramps, shoulders and passing lanes. However, when such requests were made, there was no formal process to approve them, and no guidelines or protocols for accepting or refusing them. In addition, requests were accepted or denied on an inconsistent basis.

Since our audit, the Ministry implemented a process in October 2016 where requests for increased plowing frequencies would be assessed using common assessment criteria. For example, while reviewing these requests, staff are required to determine whether the existing plowing frequencies have fallen below its own best practices and standards. If it is determined that this is the case, staff are required to look for the most economical way to bring up service levels.

A guideline implemented in October 2016 under this new process also requires that staff document a reason when any request for increased plowing frequencies is not approved.

The guideline also says that staff should review the list of requests for consistency and to identify trends that can be incorporated into best practices and standards as required. The list is required to be maintained for each contract area.

Proactive Use of Materials

Recommendation 2

To help ensure that contractors use treatment materials proactively to perform effective winter highway maintenance, the Ministry of Transportation should re-establish cost-sharing arrangements and other measures that encourage such proactive use of materials in all contract areas.
Status: Fully implemented.

Details

In 2015, we found that under the new performance-based Area Maintenance Contracts, contractors no longer had to pay the Ministry if they failed to use a minimum amount of salt. This created an incentive for contractors to save money by using less salt.

In addition, the amount of anti-icing liquid to use was left entirely up to the contractor, as long as outcome targets relating to ground frost and slippery road conditions were met.

Since the audit, sand and salt cost-sharing thresholds have been re-established in all contract areas. The minimum amount of salt that a contractor should use is based on the five- to 10-year average historical salt usage in that area. If the salt used by the contractor is less than this minimum amount, the contractor is required to reimburse the Ministry for the low usage.

The Ministry has also made changes to encourage the contractor to use anti-icing liquids. In the Kenora area contract, the only new contract awarded since our audit, the Ministry began requiring the contractor to use anti-icing liquids, and also specifies the minimum amount to use.

For the remaining 19 contract areas, the Ministry offered the contractor similar cost-sharing incentives for the use of anti-icing liquids. The incentives require contractors to pay the full cost of the first and second applications of liquid. After that, the Ministry begins to pay a sliding share of the cost that reaches 75% after the seventh application. We noted that contractors in 13 out of the 19 areas used anti-icing liquids. Contractors in the remaining six areas did not use anti-icing liquids; instead, they implemented other measures such as faster deployment of plows and salters, which they believed were more effective than applying anti-icing liquids in their contract areas.

Contractor Responsibilities

Recommendation 3

To ensure that winter highway maintenance activities are timely and effective, and to ensure that highway

and weather conditions are accurately reported to the Ministry of Transportation (Ministry), the Ministry should prescribe in detail the responsibilities of contractors for patrolling and ensure it obtains the information necessary to assess the contractors' ability to meet those responsibilities.
Status: Fully implemented.

Details

Our 2015 audit found that there were no outcome targets for patrolling by contractors—the only requirement, not tied to any minimum number of hours of operation, was that they "be aware" of road and weather conditions.

Since our audit, patroller training for contractors was provided in fall 2015. We obtained attendance sheets for the training, and noted that representatives from all 20 contract areas were in attendance. The training addressed patroller responsibilities, areas requiring high attention, and use of various online tools to monitor weather conditions.

Changes in patrol requirements were made only for those contract areas where patrolling was an issue. In the Kenora area contract, the only new contract awarded since our audit, the Ministry included prescriptive requirements for patrolling, including patrols at least once every 12 hours for Class 1 and 2 highways, and once every 24 hours for all other classes of highways. In addition to these minimums, contractors are required to perform additional patrols as needed at times of unfavourable weather events, emergencies and unusual situations, such as special events.

For those contracts already in place at the time of the audit, the Ministry identified six areas where the level of patrolling was an issue. It added new and improved patrolling requirements in these areas. For the remaining 13 areas, the Ministry informed us that patrolling was not identified as an issue, so no changes were made. However, it will continue to monitor these areas to ensure that patrolling is at an acceptable level.

The Ministry also added about 70 dashboard cameras to patrol vehicles in six contract areas to help obtain information required to verify road conditions reported by patrollers. In addition, a total of about 54 stand-alone roadside cameras were installed: 25 in the West Region, 23 in the North East Region, and six in the East Region. An additional 12 were in the process of being installed in the North West Region.

The Ministry added about 69 smart phones and 12 tablets in six contract areas to support reporting of road conditions, collisions and circuit times. These devices generate emails that track the time that weather conditions were observed, location, and details such as visibility, wind, precipitation, cloud, fog, and primary and secondary road conditions.

Ontario 511 Reliability

Recommendation 4

To improve the reliability of the Ontario 511 website, the Ministry of Transportation should monitor when information is collected in each area and update the website regularly, clearly indicating the time at which the information on road conditions was observed by the contractor.
Status: Fully implemented.

Details

In 2015, we found that highway conditions reported on the Ontario 511 website did not accurately reflect when the conditions were observed. In turn, the Ministry was incorrectly reporting data on its Ontario 511 website, which the public consults for information on highway conditions.

In our current follow-up, we noted that the Ministry added time stamps to road-condition updates on Ontario 511 to indicate the time the contractor observed the road condition. Road conditions include bare, partly covered, covered and reduced visibility.

The Ministry also added four new Road Weather Information Systems (RWIS) and 16 cameras to existing RWIS systems. Camera footage from these systems is uploaded for the public to view.

In order for drivers to obtain even more detailed information on the estimated completion time of snow removal, the Ministry launched the "Track My Plow" feature. This map-based feature allows drivers to track, on a real-time basis, where plows are on their highways, and which sections of highways were recently plowed. For the 2015/16 winter season, it was implemented across seven contract areas (Bancroft, Chatham, Durham, Huntsville, Kingston West, Owen Sound and Simcoe). In the 2016/17 winter season, the Ministry intends to expand it to an additional six contract areas (Kingston East, London, Niagara-Hamilton, Ottawa, Peel/Halton and Toronto/York). All information is available through a link from Ontario 511.

In addition, as previously mentioned under the details of Recommendation 3, the Ministry provided training to patrollers on the importance of accurately reporting changing road and weather conditions: 476 Area Maintenance Contract staff attended 18 training events covering all 20 contract areas.

Procurement of Contractors

Recommendation 5

To ensure that the Ministry of Transportation (Ministry) procures contractors that can provide effective winter highway maintenance, the Ministry should:

- *require tendering contractors to submit detailed and appropriate information in their proposals that demonstrates their ability to meet the required level of service;*
  Status: Fully implemented for only the Kenora area. In the process of being implemented for all other contract areas by 2026.

Details

In 2015, our audit found that contractors were winning contracts based on having submitted the lowest bid price; final selection did not distinguish between better-equipped, adequately equipped and inadequately equipped contractors. Once winter maintenance was increasingly being delivered

under this approach, service levels began deteriorating, and there was an increase in the number of collisions on Ontario highways where snow, slush or ice was a factor.

Since our audit, the Ministry has begun using a Route Analysis Form to calculate the quantity of equipment needed to meet the required level of service, based on its best-practice circuit lengths, equipment speeds and times. It used this form in awarding a new contract in Kenora (the only new contract awarded since our audit in 2015).

The remaining contracts will expire over several years, with the last contract expiring in 2026.

- *develop an evaluation process that appropriately weights critical factors and includes assessing proposals against the Ministry's historically proven best practices to ensure that the contractor can effectively deliver the required level of service; and*

- *select the winning proposal using a best-value approach that considers both the price and quality of the proposal.*
  Status: Fully implemented for only the Kenora area. In the process of being implemented for all other contract areas by 2026.

Details

In 2015, we found that the award of winter highway maintenance contracts would benefit from a best-value rather than lowest-bid approach, as contractors that bid the lowest are not necessarily the most qualified with the right level of equipment.

During our follow-up, we noted that the Ministry put in place an evaluation process that weighs significant aspects of road maintenance in a point system that ultimately decides the award. To ensure consistency among evaluators, the Ministry developed very detailed explanations for each area to be scored. In order of priority and weighting, categories to be scored include winter vehicles, patrolling, labourers and operators, quality management, contract management personnel, ground

frost strategy and slippery conditions strategy. Best practices, such as speed while spreading and plowing for each highway class, are taken into account. For example, best practice indicates that the optimal speed for equipment while spreading on a Class 1 highway is 32 kilometres per hour. The total amount of equipment needed would be based on this speed.

The Ministry awarded the Kenora area contract in April 2015 using the above criteria; this has been the only contract awarded since our audit. The remaining contracts will expire over several years, with the last contract expiring in 2026.

It also attempted to procure three other contracts using this approach; however, bids came in higher than expected and, therefore, the procurement tenders were cancelled and the contracts were never awarded. The Ministry informed us that the bids were likely high because contractors submitted quotes that included higher-than-required service levels in order to maximize bid scores. As a result, the Ministry is now in the process of developing a revised model for use on future tenders. The Ministry informed us that the revised model will continue to have minimum equipment requirements similar to the ones found in the Kenora contract (as discussed earlier in this recommendation).

Oversight of Contractors' Performance

Recommendation 6

To improve its oversight of contractors' performance and to ensure consistent oversight across the province, the Ministry of Transportation should:

- *develop a standardized process for conducting audits (integrating in-storm observations) and issuing fines, and ensure that staff are adequately trained and equipped with all the tools needed to implement this process;*
Status: Fully implemented.

Details

In 2015, we found that risk factors, such as highway traffic volumes, weather patterns, and the number of fines previously issued to a contractor, were not the basis for audit selection. In addition, the Ministry, since the adoption of Area Maintenance Contracts in 2009, had yet to develop standards for conducting audits and documenting results.

Since our audit, the Ministry retained an independent consultant to develop a risk-based assessment. The consultant created a strategy that assesses audit frequency based on the following categories: 50% on past performance of contractors, 10% on severity and frequency of weather-related traffic conditions, 10% on class of highway, 10% on issues management, 5% on road closures, and 5% on communication and corrective actions. Once this was created, the Ministry provided training based on the new strategy in September and November 2015. We reviewed the training materials and noted there were detailed explanations of how contractors should be rated, on a scale of one to five, under each category. For example, a contractor would be considered high risk (5/5) for the past-performance indicator if it needs to improve because of a chronic issue, or if it frequently misses outcome targets. How frequently a contractor is audited depends on its risk rating. For instance, a contractor rated high risk is to be audited twice per winter on all of its routes with respect to each outcome target.

If these planned audits show there is a large variance between a contractor's outcome target and actual performance, the Ministry will conduct a focused audit to review what occurred. For example, if the target was to achieve bare pavement in eight hours but the contractor took 20 hours, the focused audit would attempt to determine the reasons for the large variance.

The Ministry also conducts ad hoc audits if a special request is received or investigation required. This request can come from a variety of sources, such as the OPP.

In addition, the Ministry added 20 new oversight staff to increase in-storm monitoring: one

Maintenance Co-ordinator and 19 Contract Services Inspectors.

- *ensure that decisions to waive fines are appropriately justified and documented, and are consistently applied throughout the province;*
  Status: Will not be fully implemented.

Details

In 2015, we found that Ministry staff at regional offices had the discretion to waive financial consequences (fines) that should be levied against contractors for not meeting their outcome targets. This undermines the effectiveness of fines and has resulted in inconsistencies in how the Ministry responds to service failures in the province.

Since the audit, the Ministry has created a process and provided training to assist staff in dealing with non-compliance by contractors. For example, if an audit shows that a contractor has not met outcome targets, Ministry staff are required to consider prior performance and other relevant factors in determining whether further action should be taken. If so, a notice of non-conformance is prepared and provided to the contractor, which is to provide a response.

In reviewing contractor responses, the Ministry has implemented new procedures to ensure consistency in applying fines. Large fines (those above $50,000) are now required to be reviewed for consistency by a central committee consisting of the province's five Regional Maintenance Engineers and other senior managers.

For fines below $50,000, the Ministry has not implemented specific procedures to ensure provincial consistency. However, it did implement procedures to ensure regional consistency—in other words, ensuring consistency within one region across different contract areas. It now requires all fines below $50,000 to be reviewed by the Regional Maintenance Engineer within that region. The Ministry informed us that, instead of standardizing the issuance of these fines, the Ministry would like to allow latitude for regional staff to make these decisions. This is because fines can be reduced for a number of

reasons such as contractor responses and extreme weather conditions. As a result, the Ministry will not be fully implementing this recommendation.

AUDITOR GENERAL'S RESPONSE

Although some degree of discretion is definitely appropriate, it is important that consistent decision-making on fines be in place. Although steps have been taken to outline a decision-making process, it is still important that rules around issuing and waiving fines guide decisions.

- *establish a target number of audits for each contract area based on appropriate risk factors;*
  Status: Fully implemented.

Details

In 2015, we found that the number of audits conducted depended on the level of staff available at the time of the audit, rather than the need for an audit. Targets were based on audits per Co-ordinator, but since staffing levels fluctuate, so did the number of audits. Instead, the number of audits should be set according to a predetermined plan of audits to be completed based on each area's assessed level of need, with staffing managed to ensure that the plan is followed.

Following the audit, in December 2015, the Ministry used the risk-based model created by its consultant that calculates the number of audits based on risk level per contract area for winter 2015/16. The risk assessment is to be recalculated every winter, which in turn will affect this calculation annually.

- *develop and implement a robust centralized system that tracks the results of all audits and fines to better enable provincial analysis of contractors' performance; and*
  Status: Little or no progress.

Details

In 2015, the Ministry was in the process of completing the development of a central database to store

information gathered from audits; however, at the time of the audit, the data was incomplete and inaccurate.

Since the audit, the Ministry has made no changes or updates to address this recommendation. The Ministry intends to begin developing a new web-based contract management system in fall 2016. This new system would better allow it to track results of audits and fines than the current system that is being used.

- *consider incorporating contractor liability for inadequate winter highway maintenance in performance-based contracts to the extent that it is reasonable and possible.*
  Status: Little or no progress.

Details

In 2015, we found that the Ministry bears the legal responsibility to maintain and keep in repair provincial highways, and bears the legal liability for failure to do so. Under the government-operated road liability insurance program, primarily the Province, not contractors, may be exposed to paying damages if inadequate road maintenance is a contributing factor in vehicle collisions.

Since the audit, the Ministry has met with the Risk Management and Insurance Services Branch (within the Ministry of Government and Consumer Services) to discuss material non-compliance and indemnity clauses. It plans to review information from this meeting as part of the development of future contract models; however, it has done little work on this action to date.

Reportable Information

Recommendation 7

To monitor contractors' performance against its bare-pavement standard and to provide meaningful reports to the public on the effectiveness of winter highway maintenance, the Ministry of Transportation (Ministry) should:

- *correct any information that it has determined is inaccurate before publicly reporting its results;*
  Status: Fully implemented.

Details

In our 2015 audit, we were concerned about the accuracy of the information the Ministry received from contractors, as we noted that Co-coordinator audits identified over 200 instances of contractors submitting inaccurate information to the Ministry.

According to the Ministry, three groups of people are best able to identify inaccurate information: contractors themselves, the regional communication centre operators who collect the information from the contractors, and the Ontario 511 website operators. Since the audit, the Ministry has provided training to contractors and to the regional operators who collect information from the contractors. Each of these contractors and operators is to assess the information for any trends that may contradict weather information submitted.

The Ministry is continuing to look at ways to further ensure the accuracy of the information submitted. For instance, it is considering the reasonability of requiring the regional communication centre operators to view camera footage to verify that the information received is, in fact, accurate. This is currently not a standard requirement, although some operators choose to do so because it is their job to collect, organize and assess for reasonability the information collected from contractors.

- *consider publicly reporting contractors' performance against its bare-pavement standard by contract area;*
  Status: Fully implemented.

Details

In 2015, we found that the Ministry publicly reports whether its target for achieving bare pavement was reached across the province. The target is that bare pavement be achieved within the time limit for each class of highway for 90% of the storms in a winter season. However, we noted that this

achievement rate reported by the Ministry was the average for the province as a whole, and that the achievement rate for each contract area was not publicly reported. During our audit, we had found that six of the 20 contract areas did not achieve the performance target.

Since the audit, in September 2016, the Ministry has begun publicly releasing bare-pavement results for each contract area starting with the 2015/16 winter season. This is also supplemented with a winter severity index (WSI). A WSI takes into account snowfall, surface ice, rainfall with low temperatures, cold days, blowing snow and warm weather adjustment factors to calculate a number that signifies how severe the winter was. The Ministry worked with the University of Waterloo to develop this index. Having the WSI information for each contract area will help the Ministry and public put contractors' performance results into context—for instance, some winter storms may be so severe that restoring bare pavement within required time limits may be beyond the control of the contractor. As a result, it will be useful for the public to know how severe the winter was in a contract area when contractors' performance results are being reviewed.

- *supplement its public reporting on the bare-pavement standard with information on how highways are being maintained during a storm;*
Status: In the process of being implemented by fall 2017.

Details

In 2015, we noted that the bare-pavement target of eight hours on its own was not a measure of whether the winter maintenance activities undertaken during a storm leading up to the bare pavement being achieved had been effective.

Since the audit, the Ministry has made efforts to notify the public as to what is occurring during a storm, and also during the eight hours after a storm ends and before bare pavement is required to be achieved. (For some less-travelled highways, it can be up to 24 hours after a storm ends before bare pavement is required to be achieved.)

The Ministry has drafted a model identifying potential performance measures that could be implemented in addition to bare pavement, such as deployment times, circuit times achieved, and return-to-normal operating speeds. However, further work is required to implement tracking and reporting on these measures.

However, the Ministry informed us that, in the meantime, other advancements it has made will assist the public in understanding contractors' in-storm performance. The Track My Plow feature was implemented in seven of the 20 contract areas for the 2015/16 winter, and in 13 of the 20 contract areas for 2016/17 winter. This feature can be easily accessed through the Ontario 511 website.

- *assess the adequacy of its bare-pavement time limits in light of the more stringent time limits of other jurisdictions and update its time limits accordingly.*
Status: In the process of being implemented by fall 2018.

Details

In 2015, we found that Ontario's bare-pavement time limit of eight hours after a storm ends for Class 1 highways was longer than that of other jurisdictions at the time.

Since the audit, in July 2016, the Ministry has completed a jurisdictional scan to assess the adequacy of its bare-pavement time limits. The Ministry agrees that some jurisdictions had lower bare-pavement time limits for highways with high traffic volumes. As a result, the Ministry is reviewing its bare-pavement time limit for highways with high traffic volumes. It is currently gathering information that will assist it in determining what the new bare-pavement time limits could be for these highways.

Impact of Remedial Measures

Recommendation 8

The Ministry should continue to monitor and assess the impact of the remedial measures taken to improve winter highway maintenance to determine whether additional measures are needed to restore highway maintenance and service to the levels delivered before the introduction of performance-based AMCs.

Status: In the process of being implemented by fall 2017.

Details

We noted during our 2015 audit that the Ministry had begun to take action to respond to poor contractor performance by restoring service levels and procuring more equipment for truck-climbing and passing lanes, conducting a high-level program review, procuring more equipment for freeway shoulder and ramp maintenance, adding more Ministry staff positions, and negotiating with contractors to improve service levels and address performance issues.

Since the audit, the Ministry implemented a number of changes to improve winter highway maintenance and restore service levels. These changes included adding 58 pieces of equipment over all contract areas, implementing cost-sharing initiatives for materials used in winter maintenance in all contract areas, adding patrolling requirements in priority areas, increasing the reliability and accuracy of information provided to the public, adjusting the contract-awarding process away from the lowest bid, and creating an audit selection process based on risk.

Although the Ministry has awarded only one contract since our audit, it developed and included in the new contract certain standard additions, such as equipment quantity calculations, winter materials cost-sharing incentives, and patrolling requirements that will improve the effectiveness and performance of contractors.

Although there is still some work remaining to implement all recommendations, the Ministry continuously monitors and assesses the impact of its remedial measures. It continues to monitor maintenance concerns expressed by its staff and problems shared by contractors by having frequent discussions with them. The Ministry has also established a full-time director role to oversee maintenance activities and implement improvements as required. Since our audit, the Ministry has made significant improvements (that are discussed throughout this report) in many areas where a reduction in service levels (such as patrolling and insufficient winter equipment) had been experienced.

Follow-Up on Reports Issued by the Standing Committee on Public Accounts

Summary

The Standing Committee on Public Accounts (Committee) (see **Volume 1 – Chapter 6**) holds hearings throughout the year when the Legislature is in session on chapters in our Annual Reports or our special reports, and presents its observations and recommendations in reports that it tables in the Legislative Assembly.

This year we followed up on the status of the implementation of the Committee's recommendations from six Committee reports tabled between March 2015 and November 2015 and on the status of the concerns raised in the Committee's reports on Ornge Air Ambulance and Related Services tabled in 2014. Our objective is to provide the Committee with information on the actions being taken by audited entities to provide the requested information and address the recommendations that the Committee made in its reports to the Legislature.

Our follow-up work consists primarily of inquiries and discussions with the government, the relevant ministries or broader public sector entities and a review of the status reports they provide to the Committee. In a few cases, the organization's internal auditors also assisted us with this work. As this is not an audit, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The actions taken or planned may be more fully examined and reported on in future audits. Status reports will factor into our decisions on whether future audits should be conducted in these same areas.

As noted in **Figure 1**, progress has been made toward implementing 77% of the Committee's 70 recommended actions, including 44% of them that have been fully implemented. There has been little or no progress on 20% of the recommended actions and 3% of them will not be implemented. More specific details are presented in the sections that follow **Figure 1**.

Figure 1: Overall Status of Implementation of Recommendations from the Standing Committee on Public Accounts

Prepared by the Office of the Auditor General of Ontario

Report	# of Recs	# of Actions Recommended	Status of Actions Recommended			
			Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
3.01 Cancer Screening Programs Tabled Nov 23, 2015	9	9	8.0	1.0	–	–
3.02 Education of Aboriginal Students Tabled Mar 22, 2016	6	6	5.0	1.0	–	–
3.03 Financial Services Commission of Ontario—Pension Plan and Financial Service Regulatory Oversight Tabled Jun 2, 2015	14	22	8.0	4.0	10	0
3.04 Infrastructure Ontario—Alternative Financing and Procurement Tabled Jun 2, 2015	6	12	9.0	1.0	2	–
3.05 Ornge Air Ambulance and Related Services Tabled Oct 30, 2014	This Report did not include recommendations, but we did do a follow-up to review the status of the issues raised by the Committee.					
3.06 Public Accounts of the Province Tabled Apr 5, 2016	5	5	4.0	1.0		
3.07 Smart Metering Initiative Tabled Nov 24, 2015	8	10	8.0	0	1	1
3.08 University Undergraduate Teaching Quality Tabled Jun 3, 2015	5	6	2.3	1.7	1	1
Total	**53**	**70**	**44.3**	**9.7**	**14**	**2**
%		**100**	**63**	**14**	**20**	**3**

Cancer Screening Programs

Standing Committee on Public Accounts Follow-Up on Section 4.01, *2014 Annual Report*

The Committee held a public hearing in September 2015 on our 2014 follow-up to the audit of Cancer Screening Programs we conducted in 2012. The Committee tabled a report in the Legislature resulting from this hearing in November 2015. The full report can be found at **www.ontla.on.ca/committee-proceedings/committee-reports/CancerScreeningPrograms**.

The Committee made nine recommendations and asked Cancer Care Ontario and the Ministry of Health and Long-Term Care (Ministry) to report back by the end of March 2016. Cancer Care

Ontario and the Ministry formally responded to the Committee on March 21, 2016. A number of issues raised by the Committee were similar to the audit observations in our 2012 audit, which we followed up on in 2014. The status of the Committee's recommendations is shown in **Figure 1**.

The majority of the Committee's recommendations were requests for further information from Cancer Care Ontario and the Ministry. All information requests were met. Cancer Care Ontario confirmed that it will update the Cancer System Quality Index website annually. Recommendation 5

Figure 1: Status of Actions Recommended in November 2015 Committee Report
Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented*	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	1	1			
Recommendation 2	1	1			
Recommendation 3	1	1			
Recommendation 4	1	1			
Recommendation 5	1		1		
Recommendation 6	1	1			
Recommendation 7	1	1			
Recommendation 8	1	1			
Recommendation 9	1	1			
Total	**9**	**8**	**1**	**0**	**0**
%	**100**	**89**	**11**	**0**	**0**

* Some recommendations required Cancer Care Ontario and the Ministry to provide information to the Committee. The cases in which Cancer Care Ontario and the Ministry provided the information as requested we have counted as "fully implemented."

is outstanding—Cancer Care Ontario is doing more work on performance indicators for follow-up colposcopies, and expects to have indicators in place in the 2017/18 fiscal year.

Figure 2 shows the recommendations and the status details that are based on responses from Cancer Care Ontario and the Ministry and our review of the information they provided.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Cancer Care Ontario provide the Committee with the range of wait times for mammography screening and genetic assessments, and compare to the benchmark and explain any material variances. Status: Information provided.	Cancer Care Ontario noted that it does not collect information on the wait time between when a patient schedules a screening mammogram and when the screening mammogram actually takes place, and that it is unlikely that individual cancer centres maintain such wait time data. This is because screening mammograms are scheduled to occur when women are due to be screened (for instance, every two years), so the time women waited to receive a screening mammogram is simply aligned to the clinically appropriate interval between procedures and does not represent an actual wait time. Cancer Care Ontario further explained that the practice of excluding time waited to receive a screening mammogram is consistent with the practice of Ontario's wait time reporting for diagnostic imaging, which excludes time waited for an appointment that is purposefully scheduled at certain intervals. In addition, Cancer Care Ontario indicated that there is no Canadian benchmark for the wait time for mammography screening. Instead of reporting on mammography screening wait times, in practice, Cancer Care Ontario reports on the wait time from abnormal screen result to final diagnosis. The benchmark is five weeks if biopsy is not required, and seven weeks if biopsy is required, according to guidelines established through the Canadian Partnership Against Cancer. With respect to the former, where biopsy was not required, in the year ending March 31, 2015, 93% of eligible women between 50 and 74 years old with an abnormal screening mammogram result received final diagnosis within five weeks of the abnormal screen result. With respect to the latter, where biopsy was required, 78% of women in this age group received final diagnosis within seven weeks of an abnormal screen result. Cancer Care Ontario has 13 regional cancer programs, whose boundaries are aligned with the 14 Local Health Integration Networks across Ontario (one regional cancer program covers both the Mississauga Halton LHIN and the Central West LHIN). These regional programs bring together health-care professionals and organizations involved in cancer prevention and care. The regional programs are required to ensure that service providers meet the requirements and targets set out in their partnership agreements with Cancer Care Ontario. Regional cancer programs that were unable to meet the wait time guidelines provide Cancer Care Ontario on a quarterly basis with analysis, improvement plans, and reasons for recent successes. Examples of improvement activities reported by regional cancer programs include hosting an education day to address the image transfer process, implementing LEAN processes (a business-operation methodology aimed at creating more value for customers with minimal waste), creating more biopsy days, and expediting the booking of assessments. For genetic assessment, based on its knowledge gathered from regular monitoring of other jurisdictions for significant developments in breast cancer screening, Cancer Care Ontario noted that its High Risk Ontario Breast Screening Program is the first organized breast screening program targeted at a high-risk population and that there are no known relevant national or international benchmarks for wait times for this specific program. From July 2014 to June 2015 (most recent data available at the time of this follow-up), the wait time from an initial physician visit to genetic counselling was 83 days for half of the patients who were treated (median). In the same period, wait times across Ontario ranged from a minimum of 0 days to 360 days.

Committee Recommendation	Status Details
Recommendation 2 Cancer Care Ontario ensure that its Cancer System Quality Index website is regularly updated with the most recent data available. Status: Fully implemented.	Cancer Care Ontario updates its Cancer System Quality Index on an annual basis. Cancer Care Ontario explained that its data sources, such as the Ontario Health Insurance Plan and the Ontario Cancer Registry, consider data to be complete and ready for use six months and 12 months, respectively, after data submission. As well, it takes time to collect, validate, analyze and interpret data. The information contained in the latest update of May 2016 included: • colorectal cancer screening data from 2014; and • breast cancer screening participation data from 2013 and 2014 (the data covers a two-year period because screening mammography is recommended at two-year intervals).
Recommendation 3 Cancer Care Ontario report back to the Committee on the expected implementation date of the fecal immunochemical test for use in colon cancer screening. Status: Information provided.	Cancer Care Ontario plans to implement the fecal immunochemical test for use in colon cancer screening by March 2018. It began detailed planning in August 2015, which included: • working with the Ministry to identify and understand any required legislative and regulatory changes; • defining procurement requirements for the laboratory services and test kits; and • defining changes required to existing Cancer Care Ontario operations, such as data reporting and correspondence regarding cancer screening.
Recommendation 4 Cancer Care Ontario provide the Committee with the range of wait times for follow-up colonoscopies, and compare to the benchmark and explain any material variances. Status: Information provided.	For follow-up colonoscopies, the wait time benchmark is eight weeks from the time of an abnormal fecal occult blood test (FOBT), a test to look for colorectal cancer, to the date of a follow-up colonoscopy, according to the Canadian Association of Gastroenterology. Cancer Care Ontario reported that 46% of eligible individuals between 50 and 74 years old who had an abnormal FOBT result in 2014 waited eight weeks or less to undergo colonoscopy, compared to 38% in 2011. In 2014, individuals waited 11 weeks on average (mean), half of the patients waited almost eight weeks (median), and wait times across Ontario ranged from one day to 365 days. (Cancer Care Ontario does not measure wait times beyond 365 days because it noted that colonoscopies performed more than 365 days after a positive FOBT test may have been performed for a different indication.) Cancer Care Ontario noted that these wait times could be over-estimated as it cannot account for any delays that might be initiated by the individuals, such as if the person chooses to defer the colonoscopy. Cancer Care Ontario expects to release 2015 wait time information in May 2017. Regional cancer programs that were unable to meet the wait time guidelines provide Cancer Care Ontario on a quarterly basis with analysis, improvement plans and reasons for recent successes. Examples of improvement activities reported by regional cancer programs include working with primary care providers to improve timeliness of referrals for colonoscopy, and working directly with endoscopists' offices to ensure that colonoscopies for persons with an abnormal FOBT are appropriately prioritized.

Committee Recommendation	Status Details
Recommendation 5 Cancer Care Ontario provide the Committee with the range of wait times for follow-up colposcopies, and compare to the benchmark and explain any material variances. Status: To be implemented by March 2018.	For follow-up colposcopies, the wait time benchmark for high-grade cervical lesions ranges from 14 days to 42 days from referral to initial assessment in a colposcopy clinic depending on the result of the Pap test and the type of cervical lesions, according to the Society of Canadian Colposcopists. Cancer Care Ontario noted that it was not able to calculate wait times from referral to initial assessment in a colposcopy clinic as it does not collect this data. Instead, it measures the wait time for women with high-grade cervical lesions from the date of the abnormal Pap test result to the date of the colposcopy, which it felt is a reasonable proxy but may inflate wait times by several weeks. Using this measure, Cancer Care Ontario reported that in 2014, half of the women with a high-grade abnormal Pap test waited 62 days (median) for a colposcopy, with wait times across Ontario ranging from eight days to 355 days. (Cancer Care Ontario does not measure wait times beyond 365 days because it noted that colposcopies performed more than 365 days after an abnormal Pap test may have been performed for a different indication.) Median wait times improved steadily from 2011 (71 days) to 2013 (57 days), but became worse in 2014 (62 days). Cancer Care Ontario plans to expand its collection of cervical data. As well, it plans to engage clinical and regional stakeholders to confirm cervical screening performance indicators, and then begin sharing this data with the regional cancer programs. Cancer Care Ontario expects to formally embed these indicators in its performance management process in the 2017/18 fiscal year.
Recommendation 6 Cancer Care Ontario work with the Ministry to provide the Committee with the results, LHIN (Local Health Integration Network) by LHIN, of the percentage of attachments made via Health Care Connect and Cancer Care Ontario's Contact Centre. Status: Information provided.	Cancer Care Ontario provided the Committee with the results of attachments made via Health Care Connect and Cancer Care Ontario's Contact Centre during the period from April 1, 2012 to December 31, 2015. In that period, of patients who had abnormal FOBT results who did not have a primary health-care provider, 94% were attached to a primary care provider through the Contact Centre and Health Care Connect. Across the 14 LHINs, attachment rate ranged from 60% (Hamilton Niagara Haldimand Brant LHIN) to 100% (eight of the 14 LHINs). For those patients who were not successfully attached to a primary health-care provider, Cancer Care Ontario follows standard operating procedures—it couriers test results to the address on file, attempts to telephone the individual three times, contacts the processing laboratory to determine if the test result was sent to a primary health-care provider, and mails a final "Attempt to Reach" letter to advise the patient to seek medical attention immediately. Cancer Care Ontario explained that the attachment process does not apply to the breast-screening and cervical-screening programs because a primary care provider or physician is directly involved throughout the screening process in these two programs. In contrast, Ontarians can obtain, complete and submit an FOBT to a laboratory for processing without having a primary care provider; therefore, this population is considered "unattached."
Recommendation 7 Cancer Care Ontario provide the Committee with international or external evidence to support its volume-based competency standard for endoscopists and colposcopists. Status: Information provided.	Cancer Care Ontario provided the Committee with evidence that its volume-based competency standard for endoscopists and colposcopists was derived from national and international guidelines and a systematic review of published literature. These standards are included in guideline and framework documents developed by Cancer Care Ontario's Program in Evidence-Based Care. According to Cancer Care Ontario, the Program in Evidence-Based Care is an internationally recognized guideline-development program that works to improve the quality of cancer care by helping clinicians and policy makers to apply the best scientific evidence in practice and policy decisions.

Committee Recommendation	Status Details
Recommendation 8 The Ministry provide the Committee with details of its strategy for increasing access to: • cancer screening services for individuals in rural and remote communities; • primary care providers for individuals without one. Status: Information provided.	The Ministry provided the following to the Committee with respect to its strategy for increasing access to cancer screening services for individuals in rural and remote communities: • The Ministry has provided the mandate and resources to Cancer Care Ontario to increase awareness about and access to screening for cancers of the breast, the colon, and the cervix through correspondence campaigns. As of May 2015, 6.6 million individuals, some of whom reside in rural and remote communities, had been targeted. As well, Cancer Care Ontario solicited physicians to participate in its "physician-linked correspondence program" in which patients receive personalized invitations from their own physicians to screen for cancer, which helps improve screening rates. • Cancer Care Ontario, in partnership with the Ministry, launched two mobile screening coaches in two LHIN areas (Hamilton Niagara Haldimand Brant and North West) to target individuals in the under/never screened and hard-to-reach populations, including First Nations and those without a primary care provider. The Hamilton Niagara Haldimand Brant coach was launched in 2013, offering breast and cervical screening in women and colorectal screening in men and women. The North West coach was launched in 1992 for breast cancer screening and subsequently expanded in 2013 to also offer cervical and colorectal screening in women. • In December 2013, Cancer Care Ontario delivered a screening activity report to the Sandy Lake First Nation community. This report is intended to help physicians who are in the patient enrolment model (physicians who are paid based on the number of patients signed up with them instead of the individual services provided to their patients) to improve cancer screening rates and appropriate follow-up. The community uses this report to support screening for colorectal cancer. By October 2016, Cancer Care Ontario plans to deliver similar reports for all three screening programs to an additional 27 First Nation communities in the Sioux Lookout area. The Ministry provided the following to the Committee with respect to its strategy for increasing access to primary care providers for individuals without one: • Following the release of the Patients First proposal in December 2015, the Ministry introduced legislation in June 2016 that would, when passed, improve access to health-care services by giving patients and their families faster and better access to care, including primary care. Changes affecting primary care from this proposed legislation include improving access to primary care for patients (such as a single number to call when they need to find a new family health-care provider close to home); improving local connections and communication between primary health care, hospitals, and home and community care to ensure more equitable access and a smoother patient experience; and providing smoother patient transitions between acute, primary, home and community, mental health and addictions, and long-term care. • The Ministry plans to redesign Health Care Connect to leverage current technologies to assist unattached patients, prioritizing the linking of complex and high-needs patients to health-care providers of their choice, close to their communities. The Ministry began the procurement process in April 2016 and expects the process to be complete by fall 2016.

Committee Recommendation	Status Details
Recommendation 9 Cancer Care Ontario provide the Committee with details on how it will support endoscopists and colposcopists who do not meet its volume-based annual standards. Status: Information provided.	For endoscopy, Cancer Care Ontario reported that from October 2014 to September 2015, 94.2% of hospital colonoscopies were completed by endoscopists who performed 200 or more colonoscopy procedures, compared to 93.6% in the 12-month period immediately prior. For colposcopy, Cancer Care Ontario reported that it does not currently measure colposcopists' volume, and has no formal plan to begin measuring this information. Cancer Care Ontario noted that colposcopists are expected to perform 100 or more colposcopies per year to maintain competence. To support those endoscopists and colposcopists who do not meet Cancer Care Ontario's volume-based annual standards, clinical leads in the respective areas (who are physicians themselves) support these doctors by ensuring the provision of educational opportunities based on evidence-based clinical guidelines, standards and policies of the program. The clinical leads communicate to doctors, at formal and informal venues, evidence-based clinical standards, guidelines and policies of the respective screening programs.

Education of Aboriginal Students

Standing Committee on Public Accounts Follow-Up on Section 4.05, *2014 Annual Report*

In November 2015, the Committee held a public hearing on our 2014 follow-up to our 2012 audit of Education of Aboriginal Students. The Committee tabled a report on its hearing in the Legislature in March 2016. The full report can be found at **www.ontla.on.ca/ committee-proceedings/committee-reports/ EducationAboriginalStudents**.

The Committee made six recommendations and asked the Ministry of Education (Ministry) to report back by the end of July 2016. The Ministry formally responded to the Committee on July 20, 2016. A number of issues raised by the Committee were similar to the audit observations in our 2012 audit and 2014 follow-up. The status of the Committee's recommendations is shown in **Figure 1**. **Figure 2** shows the recommendations and the status details

that are based on responses from the Ministry, and our review of the information provided.

The Committee's recommendations primarily required that the Ministry provide the Committee with updated information on outcomes, Ministry processes and activities in place to improve outcomes for Indigenous students. Most of the Committee's recommendations have been fully implemented. The recommendation for the latest available results of Indigenous student achievement will be fully implemented in fall 2017 when the Ministry releases the results for the 2013/14 and 2015/16 school years (results for the 2014/15 school year were not available due to labour disruptions) in its third progress report on the Implementation of the Ontario First Nation, Métis and Inuit Education Policy Framework.

Figure 1: Status of Actions Recommended in November 2015 Committee Report

Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1		1		
Recommendation 2	1	1			
Recommendation 3	1	1			
Recommendation 4	1	1			
Recommendation 5	1	1			
Recommendation 6	1	1			
Total	**6**	**5**	**1**	**0**	**0**
%	**100**	**83**	**17**	**0**	**0**

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Ministry provide the Committee with its most recent results of the Indigenous student achievement gap. Status: In the process of being implemented by fall 2017.	The educational achievement of Indigenous students is measured using the Provincial Education Quality and Accountability Office (EQAO) test results for reading, writing and mathematics in Grades 3, 6, 9 and 10. The latest publicly available results of Indigenous student achievement cover the 2011/12 school year and were included in the Ministry's 2013 Progress Report, entitled *A Solid Foundation: Second Progress Report on the Implementation of the Ontario First Nation, Métis, and Inuit Education Policy Framework*. This report contained baseline data for achievement results among self-identified Indigenous students. The Ministry advised that the results for the 2013/14 and 2015/16 school years will be published in the third progress report on the implementation framework in fall 2017. (EQAO scores for the 2014/15 school year were not available due to labour disruptions.) From the 2011/12 to 2013/14 school years, EQAO results for self-identified Indigenous students have improved in at least five of the nine EQAO assessment indicators. In addition, the gap between self-identified Indigenous students and all students combined has narrowed in at least two of the nine EQAO assessment indicators.
Recommendation 2 The Ministry provide the Committee with an update on its discussions with Aboriginal partners and other education stakeholders aimed at setting measurable student achievement targets. Status: Fully implemented.	The Ministry informed us that student-achievement targets for Indigenous students are the same as those for all students: an 85% high-school-graduation rate within five years of starting high school and a 75% success rate on elementary EQAO assessments. In the First Nation, Métis, and Inuit Education Policy Framework Implementation Plan, the Ministry established 10 performance measures to monitor and track progress in four priority areas: using data to support student achievement; supporting students; supporting educators; and engagement and awareness-building. The Ministry has not established targets for these performance measures. The Ministry has engaged Indigenous and education-sector partners through the Minister's Advisory Council on First Nation, Métis and Inuit Education (Advisory Council), and the Minister's Advisory Council on First Nation, Métis and Inuit Education Working Group (Working Group). According to the Ministry, the Advisory Council and Working Group provide a forum for feedback on Ministry initiatives and raise issues related to the education of Indigenous people in Ontario's publicly funded school system. They also seek to arrive at mutually acceptable solutions to support student achievement and well-being, and to help close the achievement gap. The Advisory Council had requested to be involved in the development of the Ministry's third progress report on the implementation framework. In early 2016, a subcommittee of the Working Group was created to "collect certain data and obtain input to inform the development of the third progress report and the framework implementation plan." Discussions held up to that point dealt with identification of appropriate performance measures for the framework implementation plan, information needed to assess performance measures, and possible ways to collect it.

Committee Recommendation	Status Details
Recommendation 3 The Ministry provide the Committee with a summary of its report-back processes that ensure funds are spent for their intended purposes. **Status: Fully implemented.**	Beginning in 2014, the Ministry required all school boards to develop a Board Action Plan on First Nation, Métis and Inuit Education. The objective of these plans was to identify the activities that boards would undertake to support the strategies and actions identified in the framework implementation plan. The Ministry advised that funding is provided to boards to support the activities outlined in the action plans. The Ministry provided $4.9 million in the 2014/15 school year and $5.6 million in 2015/16 to support board action plans. This funding was outside of the Grant for Student Needs (GSN), the main funding to support elementary and secondary school operations. Funding to support board action plans is flowed to boards in three instalments—60% at the time an agreement is signed, 20% when the Ministry receives and approves an interim financial report, and 20% when the Ministry receives and approves a final report. The Ministry analyzes the interim and final reports to ensure that boards are making progress toward meeting the strategies and actions identified in the action plans, and that funds are being used appropriately. In assessing the action plans, the Ministry: • ensures that interim and final reports outline in detail the activities school boards have implemented (including the dates of events, the number of participants, board and community partners, and the initiation and progress of work to date), and that spending reflects implementation and aligns with the funding provided to the boards; • reviews program indicators, outputs and evidence-based outcomes for the activities listed; • disburses payments according to the transfer-payment agreement if there is sufficient evidence that work is under way or complete, and that spending aligns with the funding provided; • may hold back or reduce payments in cases where analysis indicates that progress is not being made in accordance with the action plan and transfer-payment agreement; and • collects refund payments from boards if, upon review of final reports, the funding provided for activities outlined in action plans was not fully spent. For the 2016/17 school year, funding to support board action plans will be allocated through GSN funding. Funding for board plans totalled $6 million, and the boards will have to submit their action plans to the Ministry by September 30, 2016, their interim reports by April 28, 2017, and their final reports by August 31, 2017. Additional funding for Indigenous students is provided through a supplement to the GSN called the First Nations, Métis and Inuit Education Supplement, and through other education program grants. (See response to Recommendation 4 for a list of the supplements and other grants.) The accountability and reporting framework for the GSN requires boards to report on their intended and/or actual use of the funding in their financial submissions—estimates, revised estimates and financial statements—to the Ministry, with additional financial reporting requirements for individual supplements/grants. For example, for the Native Languages Allocation, boards report the number of elementary pupils enrolled in the program and the number of credits that secondary students take. For the First Nation, Métis, and Inuit Studies Allocation, boards report the number of credits that secondary students are enrolled for. And for the Per-Pupil Amount Allocation for 2016/17, boards will be required to show that at least $82,760 of the funding is spent on the salary and benefits of the person dedicated to support implementation of the Ontario First Nation, Métis and Inuit Education Policy Framework. They will also have to confirm that any remainder has been used to support the framework through their action plan, with any unspent funds carried forward to the following school year. In future years, it is expected that any money allocated to support the implementation of strategies and actions identified in board action plans must be spent within the school year. In addition, boards are required to report how they allocate this supplement to cover expenses, specifically reporting on how much of the funding is used for classroom expenses such as teachers, teacher assistants and textbooks, and non-classroom expenses such as co-ordinators and consultants. The Ministry uses this financial reporting to monitor how boards spend the funding to ensure it is used for intended purposes.

Committee Recommendation	Status Details
Recommendation 4 The Ministry provide a briefing note to the Committee highlighting what they believe is the funding gap between Aboriginal and non-Aboriginal students that includes both qualitative and quantitative data. Status: Fully implemented.	The Ministry funds school boards through several grants that take into account such unique needs as a board's demographics, individual school locations, specific program take-up, special education, and the achievement gap of both the individual board and the community profile within the board. All students in Ontario's provincially-funded school system, including Indigenous students, are funded at the same level. The Ministry also provides additional funding to provincially-funded school boards to target the specific needs and priorities of Indigenous students. Funding is delivered primarily through GSN transfer-payment agreements. Within the GSN is targeted funding, known as the First Nation, Métis and Inuit Education Supplement, to improve the achievement and well-being of Indigenous students, and to close the achievement gap between Indigenous students and all students combined. The supplement is designed to support programs for Indigenous students, as outlined in the Ontario First Nation, Métis, and Inuit Education Policy Framework. The supplement includes a component based on Indigenous identification derived from either the Census or self-identification by Indigenous students. The funding formula for the Board Action Plan Allocation was updated in 2016/17 to give greater weight to components that use voluntary, confidential Indigenous student self-identification data. In 2016/17, The Ministry also updated the Per-Pupil Amount Allocation with data from the 2011 National Household Survey. The Ministry provides additional targeted investments for the education of Indigenous students through the Education Programs–Other (EPO). Total additional funding in each of the last three years for the education of Indigenous students is summarized in the table below:

	2014/15 ($ million)	2015/16 ($ million)	2016/17 ($ million)
Funding through the Grants for Student Needs, First Nations, Métis and Inuit Education Supplement			
Native Languages Allocation	7.6	9.4	9.9
First Nation, Métis, and Inuit Studies Allocation	18.7	21.4	24.8
Per-Pupil Amount Allocation	20.8	20.6	23.4
Board Action Plans on First Nation, Métis and Inuit Education Allocation	through EPO	through EPO	6.0
Education Programs–Other (EPO)			
Board Action Plans on First Nation, Métis and Inuit Education	4.9	5.6	through GSN
Other EPO funding for Indigenous education	6.0	7.3	7.2
Total additional funding for Indigenous education	**58.0**	**64.3**	**71.3**

Committee Recommendation	Status Details
Recommendation 5 The Ministry provide the Committee with an update on its tripartite agreement discussions. Status: Fully implemented.	In April 2013, the Ministry established a Memorandum of Understanding (MOU) with the Nishnawbe Aski Nation and the federal government committing the parties to work together to improve educational outcomes for First Nation students in First-Nation-operated and provincially funded schools. The five priority areas established in the MOU were improving student support services, enhancing curriculum, exploring ways to improve governance and administration, enhancing human resources, and boosting parental participation. Specific activities undertaken in response to this agreement include a successful funding proposal in September 2015 for $91,000 under the Strong Schools, Successful Students Initiative of the Education Partnerships Program to support a best-practices conference; a forum to discuss leadership, board governance, student-achievement initiatives and special-education funding; a transfer-payment agreement signed in January 2016 outlining activities to be undertaken to achieve the five priority areas in the MOU; and a roundtable discussion on student transitions from remote communities, held in July 2016. In January and May of 2016, the Ministry held teleconferences with representatives of Indigenous and Northern Affairs Canada, and Grand Council Treaty #3 (GCT3) to negotiate and draft a MOU and joint action plan. Priority areas identified included establishing a GCT3-specific education resource centre; developing tuition agreements, transition plans, early-learning plans and curriculum; planning professional development opportunities; and creating linkages to the provincial education system. MOU negotiations with the federal government and GCT3 were ongoing at the time of the follow-up. The Ministry expected to have a signed MOU in place by March 2017. The Ministry is also working with the Association of Iroquois and Allied Indians to develop and finalize a MOU and Joint Action Plan. The Ministry anticipates that the MOU will be finalized and ready for signature in December 2016. Priority areas to be addressed include language and culture; relationship building; and transitions.
Recommendation 6 The Ministry provide the Committee with a summary of how the various board strategies collected by the Ministry are being used to improve educational outcomes for First Nation students transitioning to the provincial education system. Status: Fully implemented.	For the 2015/16 fiscal year, 40 boards identified transition programs under way in their communities, including providing dedicated staff to support transitioning students; early-years transition programs to ease kindergarten transitions; establishing elementary-to-secondary-school student mentors; and data-sharing at Native Advisory Committee meetings where students share their transition experiences. In addition, through their school-board action plans, boards report to the Ministry the evidence-based outcomes they have achieved for each of the 16 school-board strategies outlined in the First Nation, Métis, and Inuit Education Policy Framework Implementation Plan. For example, one board reported that in relation to the strategy to "increase opportunities for the participation of First Nation, Métis, and Inuit students in student voice, student engagement, and peer-to-peer mentoring activities," it provided a volunteering opportunity to 25 students from local First Nation communities to participate in a "Gathering at the Rapids" meeting in partnership with Algoma University. Another board reported that an Elder and Cultural Teachers Residence Program related to the strategy of "continuing to work with local First Nations to implement successful Education Service Agreements and to support successful transitions for First Nation students" had highly positive reviews from students and staff. Between May and June 2016, the Ministry's Indigenous Education Office hosted regional meetings with education stakeholders and Indigenous partners. These meetings provided an opportunity for boards to share best practices and lessons learned in the implementation of their board action plans.

Financial Services Commission of Ontario— Pension Plan and Financial Service Regulatory Oversight

Standing Committee on Public Accounts Follow-Up on Section 3.03, *2014 Annual Report*

The Committee held a public hearing in March 2015 on our 2014 audit of the Financial Services Commission of Ontario's (FSCO's) Regulatory Oversight of Pension Plans and Financial Services. The Committee tabled a report in the Legislature resulting from this hearing in June 2015. The full report can be found at **www.ontla.on.ca/committee-proceedings/committee-reports/FSCO**.

The Committee made 14 recommendations and asked that FSCO report back by the end of

September 2015. FSCO formally responded to the Committee on September 30, 2015. Many issues raised by the Committee were similar to those in our audit observations in 2014, which we have also followed up on this year (see Chapter 1). The status of each of the Committee's recommended actions is shown in **Figure 1**. **Figure 2** shows the recommendations and the status details that are based on responses from FSCO, and our review of the information provided.

Figure 1: Status of Actions Recommended in November 2015 Committee Report
Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented*	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	1			1	
Recommendation 2	1			1	
Recommendation 3	2	1		1	
Recommendation 4	1	1			
Recommendation 5	1		1		
Recommendation 6	1	1			
Recommendation 7	1		1		
Recommendation 8	1	1			

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented*	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 9	3	1		2	
Recommendation 10	1			1	
Recommendation 11	1	1			
Recommendation 12	2		1	1	
Recommendation 13	4	2	1	1	
Recommendation 14	2			2	
Total	**22**	**8**	**4**	**10**	**0**
%	**100**	**37**	**18**	**45**	**0**

* Some recommendations required the Ministry and FSCO to provide information to the Committee. The cases in which the Ministry and FSCO provided the information as requested we have counted as "fully implemented."

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 FSCO identify strategies to help inform and mitigate financial risk of underfunded plans, including potential impact of varying levels of economic growth. Status: Little or no progress.	FSCO has not developed strategies or considered changes to legislation that would mitigate the financial risk to plan sponsors and members from underfunded plans. In October 2016, FSCO completed an analysis that covered changes in the funded status of plans from 1992 to 2014 and the primary factors driving the change. FSCO had intended to calculate projected underfunding levels over the following few years, based on a range of economic growth scenarios. However, FSCO's analysis of the province's GDP from 2005 to 2015 showed there was no correlation between the funded status of pension plans and economic growth.
Recommendation 2 Based on these identified strategies, FSCO provide the Ministry of Finance with recommended legislative changes. Status: Little or no progress.	In July 2016, the Ministry issued a consultation paper about the solvency funding framework for defined benefit pension plans. FSCO was to provide its analysis of the factors contributing to the underfunding of pension plans to the Ministry. Once the Ministry received feedback to the consultation paper from stakeholders, it planned to draft the necessary legislative and regulatory amendments. As of our follow-up, FSCO was awaiting further information from the Ministry.

Recommendation 3
FSCO complete analysis of ways to improve monitoring of the Pension Benefits Guarantee Fund, such as:
• developing risk indicators for the fund; and
  Status: Fully implemented.
• incorporate expanded disclosure in the financial statements of the fund to better reflect plan exposure.
  Status: Little or no progress.
	FSCO completed an analysis of the legislative and procedural changes it would need to monitor the Pension Benefits Guarantee Fund's (PBGF's) exposure to potential claims and address its sustainability. In August 2016, FSCO prepared and shared with the Ministry a report with several possible enhancements to legislation, including allowing the PBGF to seek external financing to meet short-term cash flow needs, requiring parent companies of insolvent plan sponsors to provide those sponsors with financial support, and allowing the Superintendent greater discretion to order the wind-up of insolvent plans that could potentially file significant claims against the PBGF.
	
	FSCO noted that since its current financial statement disclosure for the PBGF is in compliance with accounting standards, it did not expand its disclosure in 2015 and 2016. It said it will reassess disclosure requirements on an annual basis going forward.

Committee Recommendation	Status Details
Recommendation 4 FSCO provide recommended changes to the *Pensions Benefits Act* and associated regulations based on this analysis [of the PBGF]. **Status: Fully implemented.**	As a result of the PBGF, FSCO shared its recommendations with the Ministry in August 2016. The Ministry told us it will be consulting with FSCO to ensure that possible changes to legislation would help to better manage the PBGF. The Ministry told us that this consultation is happening concurrently with the agency mandate review. The Minister of Finance appointed an expert advisory panel in early 2015 to review the mandates of FSCO, the Financial Services Tribunal and the Deposit Insurance Corporation of Ontario. The panel reviewed whether each agency's mandate aligned with the Province's goals and priorities; whether each agency was fulfilling its mandate; whether the functions of each agency could be better performed by another entity; and whether changes to the current organizational structure were necessary to improve accountability and mandate delivery. The Ministry informed us that it expects to make its final decisions about FSCO's mandate and possible changes to legislation in the fall of 2016.
Recommendation 5 FSCO identify the powers that the Office of the Superintendent of Financial Institutions has that FSCO does not, as well as differences in plan administrators' mandatory reporting, such as requiring annual actuarial reports from plans that are funded less than 120%, and provide the Committee an analysis of the risks of not having similar powers and requirements. **Status: In the process of being implemented by December 31, 2016.**	FSCO said it has started reviewing the extent of the Superintendent's powers and how they compare with those of the federal Office of the Superintendent of Financial Institutions. This analysis is expected to be completed by the end of 2016.
Recommendation 6 FSCO identify and recommend areas where monetary penalties would be effective for enforcement purposes. **Status: Fully implemented.**	In June 2015, FSCO submitted a report to the Ministry that proposed using penalties as a regulatory tool in cases of late filings and other contraventions of the *Pension Benefits Act*. The report also contained the legislative changes that would be required to impose these penalties. This report proposed fixed penalties for violations such as late or missing filings and variable penalties for all other offences. The Ministry told us that it is considering FSCO's proposed legislative changes together with recommendations from the agency mandate review. The Ministry informed us that it expects to complete this work in the fall of 2016.
Recommendation 7 FSCO provide an update on whether more examinations can be conducted with existing resources and the changes it plans to make to its examination methodology to ensure key risks are covered. **Status: In the process of being implemented by March 31, 2017.**	FSCO now considers the results of its staged monitoring process for pension plans, which was fully implemented in June 2016, in deciding which plans to examine. FSCO also updated its examination procedures for both defined-benefit and defined-contribution plans. The expanded procedures include verifying that a plan's expenses are reasonable given its total size, that permitted asset classes in which members can invest are clearly established, and which default investment options exist for members if they do not choose their own investments. These additional procedures allow FSCO to check whether plan assets have been invested in accordance with federal investment regulations and that plan members have appropriate information about the risks associated with their investments. The expanded procedures were used by FSCO to examine 55 plans in 2015/16. Further, in September 2015, FSCO retained a vendor to provide monthly data about the potential inability of plan sponsors to meet pension obligations. As of our follow-up, FSCO was assessing how to use this information as part of its existing risk analysis to identify additional plans whose members are at risk for examinations. FSCO examined 55 plans in 2015/16 and planned to examine more than 55 in 2016/17, an increase from the 50 plans examined in recent previous years.

Committee Recommendation	Status Details
Recommendation 8 FSCO complete its analysis of new information plan administrators can provide to members and make recommendations to government, as well as the new information FSCO can make public regarding its annual public reporting on pension plans. **Status: Fully implemented.**	In June 2016, FSCO reviewed statutory annual disclosure requirements in other provinces and territories, such as the United States and the United Kingdom. In October 2016, FSCO submitted to the Ministry recommendations for possible enhancements to current statutory annual disclosure requirements. Some additional disclosures recommended in the report include names and contact information of plan administrators and the earliest date plan members are eligible to retire.
Recommendation 9 FSCO work with the Ministry of Finance to identify regulatory amendments as required to ensure that: • all co-op board members have criminal checks before the co-op is registered and offering statements are issued; Status: Little or no progress. • all approved offering statements are listed on FSCO's website; and Status: Fully implemented. • FSCO conduct ongoing monitoring of co-ops. Status: Little or no progress.	In December 2015, FSCO submitted legislative amendments to the Ministry to help protect members and investors of co-ops. This included a legislative change to allow FSCO to conduct criminal checks of co-op board members at the licensing stage and/or before the co-op was registered or any offering statements issued. The Ministry is reviewing FSCO's recommendations and considering whether legislative changes were necessary. No date had been set for completion of this review. FSCO began posting all approved co-op offering statements receipted on or after July 1, 2016. FSCO had not committed to posting all historical approved offering statements, but said it would continue to make these available to the public upon request. A legislative change is required for FSCO to have the authority to conduct ongoing monitoring of co-ops. FSCO provided the Ministry with recommended legislative amendments in December 2015. The Ministry was reviewing FSCO's recommendations and considering whether legislative changes to the *Co-operative Corporations Act* are necessary. It had not indicated when it would decide on FSCO's recommendations. In the meantime, FSCO said it would continue to focus on verifying co-ops' information during the initial registration period.
Recommendation 10 FSCO provide the government with recommendations regarding the level of the fees it collects for reviewing co-op offering statements. **Status: Little or no progress.**	FSCO said it would be inappropriate to proceed with this recommendation during the mandate review, given the recommendation to move the oversight of co-ops away from FSCO and/or the newly proposed regulatory body. FSCO planned to begin an analysis of its costs in the co-op sector and recommend possible fee changes to the Ministry in 2017, subject to any announcement by the government on the mandate review. These announcements are expected in fall 2016.
Recommendation 11 FSCO provide an update on discussions with the Ontario Securities Commission on the benefits of sharing or transferring responsibility of reviewing offering statements. **Status: Fully implemented.**	In November 2015 and February 2016, representatives from FSCO and the Ontario Securities Commission met to conduct exploratory discussions about how a potential transfer of responsibility would be carried out. There is a standing offer in place from the Commission to assist FSCO with reviewing complex offering statements in future. However, as of our follow-up, discussions had been put on hold until FSCO received further policy direction from the Ministry. The Ministry was reviewing the recommendations made by the expert panel for FSCO's mandate review, including the recommendation about the transfer of responsibility. The Ministry expected to make its decisions from the mandate review in fall 2016.

Committee Recommendation	Status Details
Recommendation 12 FSCO provide an update on: • implementation of programs to support data-gathering, internal controls and risk assessment related to the licensing system; and Status: In the process of being implemented by December 31, 2017. • agreements with insurers related to receiving data on which agents have purchased errors and omissions insurance, as well as insurance that has lapsed. Status: Little or no progress.	FSCO has implemented several enhancements to its online licensing system: • Insurers can download a list of their sponsored agents to verify that they have valid insurance. • The system sends email reminders to agents when their insurance is about to expire or has expired. • The online system no longer has free-form fields. • There is a new comment field that publicly identifies agents whose insurance has lapsed. However, the system still does not automatically verify if errors and omissions insurance information is valid at the time it is entered by an agent; this lets agents get licences without having to meet minimum licensing requirements. FSCO was assessing whether these controls and some other process improvements it had made improved the accuracy of the errors and omissions insurance information in its database. The assessment was expected to be completed sometime in 2017. FSCO said it would then decide if any additional controls were required. FSCO staff prepared an errors and omissions insurance compliance position paper in December 2015, recommending that, before any further action was taken, the enhancements above be monitored for 12 to 18 months to see whether they were providing accurate compliance rates. The Superintendent accepted this recommendation. In 2016, FSCO assessed the feasibility of gathering information about errors and omissions claims filed against life insurance agents using data collected by the General Insurance Statistical Agency and the Insurance Bureau of Canada. FSCO found it was not feasible to use available industry data to obtain detailed information on these claims. FSCO has committed to working with insurance industry stakeholders to collect additional data in 2016/17, but it has not indicated that it will be establishing agreements with errors and omissions insurance providers.

Committee Recommendation	Status Details
Recommendation 13 FSCO provide an update on: • the implementation of its framework that documents how FSCO identifies, assesses and deploys compliance resources; Status: In the process of being implemented by March 31, 2017. • steps taken to monitor timeliness and outcomes of complaints and ensure holders of sanctioned licences by other regulators that also hold FSCO licences are assessed quickly; Status: Fully implemented. • its assessment of the need for proactive investigations in each regulated sector to allow for periodic examinations of all registrants and licensees; and Status: Little or no progress. • how FSCO will provide more timely publication of compliance and examination reports to the industry. Status: Fully implemented.	In 2016, FSCO developed the draft Market Regulation Branch's Supervisory Framework, which lays out its nine-step supervisory model and provides guidance to staff on market supervision best practices and tools. The model is intended to help FSCO develop and execute its Annual Supervisory Plan, which includes complaint resolution, desk reviews, onsite examinations, and sector reviews. The framework has been substantially implemented, and gaps were to be fully addressed by March 2017. In 2015/16, FSCO implemented monthly monitoring and reporting of complaint handling to measure whether it was meeting its targets of closing 80% of consumer complaints in 75 days and all complaints within 365 days. It found it was meeting those targets. In 2016, FSCO implemented a new process so it would receive regulatory sanction notifications from the 36 other relevant regulators in Canada. FSCO stated that through this process, it identified almost 50 sanctions against its licensees imposed by other regulators. FSCO uses monthly performance measure reporting to monitor whether these complaints are resolved in a timely manner. Since December 2014, FSCO has also signed memorandums of understanding (MOUs) with the Mutual Fund Dealers Association of Canada, the Real Estate Council of Ontario, and the Investment Industry Regulatory Organization of Canada. The purpose of these MOUs is mutual assistance and sharing of information among the regulators, including the regulatory action they may take against one another's licensees and registrants. FSCO has not assessed the need for proactive investigations in each of its regulated financial sectors. FSCO implemented risk-based supervisory approaches to improve its proactive assessment of the regulated financial services sectors. It told us it did not have sufficient staffing resources to conduct proactive investigations of all registrants and licensees in each of its regulated financial sectors. On its website, FSCO has published multiple reports regarding the overall results of its examination of regulated entities and licensed individuals, such as mortgage brokers, life insurance agents and service providers.
Recommendation 14 FSCO provide a formal recommendation on: • the transferring of some responsibility for protecting the public interest and enhancing public confidence to new or established self-governing industry associations; and Status: Little to no progress. • the transferring of regulatory responsibilities for regulated financial sectors to the federal Office of the Superintendent of Financial Institutions. Status: Little to no progress.	The expert advisory panel conducting FSCO's mandate review presented its final report to the Ministry in March 2016. It contained 44 recommendations. The overall position of the panel was that many functions performed by FSCO and DICO could be better performed by a single new and integrated entity, the Financial Services Regulatory Authority. FSCO was awaiting further direction from the Ministry regarding the transfer of its responsibilities and changes to its mandate.

Infrastructure Ontario— Alternative Financing and Procurement

Standing Committee on Public Accounts Follow-Up on Section 3.05, *2014 Annual Report*

The Committee held a public hearing in March 2015 on our 2014 audit of Infrastructure Ontario— Alternative Financing and Procurement. The Committee tabled a report in the Legislature resulting from this hearing in June 2015. The full report can be found at **www.ontla.on.ca/committee-proceedings/committee-reports/Infrastructure-OntarioAlternativeFinancingandProcurement**.

The Committee made six recommendations and asked the Ministry of Infrastructure (called the Ministry of Economic Development, Employment and Infrastructure at the time our audit) and Infrastructure Ontario to provide the Committee with written responses to its recommendations by the end of September 2015. The Ministry of Infrastructure (Min-

istry) and Infrastructure Ontario formally responded to the Committee on September 30, 2015. A number of issues raised by the Committee were similar to the observations in our 2014 audit. In February 2016, our Office asked the Ministry and Infrastructure Ontario to provide an update on the status of actions taken to address the Committee's recommendations. The Ministry and Infrastructure Ontario provided us with information in the spring and summer of 2016. The updated status of the Committee's recommendations is shown in **Figure 1**.

Figure 2 shows the recommendations and the status details that are based on responses from the Ministry of Infrastructure, Infrastructure Ontario, and our review of the information they provided.

Figure 1: Status of Actions Recommended in June 2015 Committee Report
Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	**In Process of Being Implemented**	**Little or No Progress**	**Will Not Be Implemented**
Recommendation 1	2	1		1	
Recommendation 2	2	1		1	
Recommendation 3	2	2			
Recommendation 4	2	2			
Recommendation 5	1		1		
Recommendation 6	3	3			
Total	**12**	**9**	**1**	**2**	**0**
%	**100**	**75**	**8**	**17**	**0**

Infrastructure Ontario has made progress on a number of the recommendations, including reporting back to the Committee on the actual cost experience of the Alternative Financing and Procurement projects in Ontario and the details on its revised Value-For-Money assessment methodology. However, it was not able to provide data on the actual cost experience on recent public-sector procurements, and it is yet to report back on the results of the third-party review of its budget process and estimating methodology.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Infrastructure Ontario shall report back to the Standing Committee on Public Accounts a summary of its analysis into the collection of data on actual cost experience from recent public sector procurements Status: Little or no progress. and AFPs in Ontario. Status: Fully implemented.	On September 30, 2015, Infrastructure Ontario provided to the Committee two reports. The first report summarized the performance of 45 Alternative Financing and Procurement (AFP) projects and seven traditional (direct delivery) projects (with project costs between $10 million and $50 million) delivered by Infrastructure Ontario. The report noted that 98% of the AFP projects were on budget and 73% were on time compared to 71% on budget and 86% on time for the traditionally delivered projects delivered by Infrastructure Ontario. The second report reviewed five major hospital projects with capital costs in excess of $100 million that were traditionally delivered 10 years ago. Infrastructure Ontario stated that it was unable to obtain more information on recent major projects in the public sector. The report identified that the average cost overruns for these five projects were 25% when comparing costs at tender to final, and 54% when comparing budget to final. In addition, when Infrastructure Ontario provided our Office with the update on the implementation of this recommendation in April 2016, it also included a staff report from the City of Toronto on the schedule and budget reset of the Toronto-York Spadina Subway Extension, and a report issued by the Lawrence National Centre for Policy and Management on comparing P3 and Traditional Approaches. Infrastructure Ontario provided details on these projects as evidence of cost overruns in traditionally delivered projects.

Committee Recommendation	Status Details
Recommendation 2 Infrastructure Ontario shall report back to the Standing Committee on Public Accounts on details of its revised VFM assessment methodology, including what was changed, when, and why. Status: Fully implemented. This response must also include the extent to which the valuation of risks assumed to be retained under the AFP and public-sector delivery models are supported by actual cost experience from recent public-sector procurements and AFPs in Ontario. Status: Little or no progress.	Infrastructure Ontario updated its value-for-money (VFM) assessment methodology in March 2015. The updated VFM approach includes five main enhancements that are summarized as follows and described in more detail in the VFM Guide, which was provided to the Committee: • **Simplified risk matrices**—The total number of risks was reduced from approximately 60 to 40 to clarify definitions and reduce redundancies. • **Introduction of an innovation factor**—The innovation factor assumes that the base cost of the public sector comparator will be higher than the AFP model by an average of 7.5% to 12%. The innovation factor is only applied to projects that have a design component to them. • **Lifecycle cost adjustment**—The estimated lifecycle spending for the public-sector comparator has been reduced based on observations made on historical under-spending by the government to maintain assets. • **Removal of insurance costs from the calculation of competitive neutrality**—The costs of insurance premiums are included in the base cost and have been removed from the competitive neutrality amount. • **Enhancements to the risk assessment process**—Where possible, project-specific cost consultants will be requested to validate the assignment of valuations to the different risks from the risk workshop. Infrastructure Ontario has not included the extent to which the valuation of risks assumed to be retained under the AFP and public-sector delivery models are supported by actual cost experience from recent public-sector procurements in Ontario. Infrastructure Ontario said it was unable to obtain information on actual cost experience from recent public-sector procurements in Ontario.
Recommendation 3 The Ministry of Economic Development, Employment and Infrastructure shall report back to the Standing Committee on Public Accounts on its plan for the screening threshold for AFP projects. This response must • state the amount of the new screening threshold, if applicable, and provide a rationale for the change; and Status: Fully implemented. • provide an anticipated implementation date for any proposed changes to the screening threshold. Status: Fully implemented.	Since spring 2015, upon the direction of the Minister of Infrastructure, Infrastructure Ontario has been using $100 million as the threshold to identify projects for potential delivery through the AFP model. This change brings Ontario in line with other jurisdictions in Canada (e.g., PPP Canada, Partnerships BC, and SaskBuilds) that use a $100 million threshold for projects that require long-term financing through the operating and/or maintenance period of the contract. Projects under $100 million may be assessed on a case-by-case basis.

Committee Recommendation	Status Details
Recommendation 4 Infrastructure Ontario shall report back to the Standing Committee on Public Accounts with a summary of its traditionally delivered projects. This summary must • include statistics about cost overruns and project delays for these projects; and Status: Fully implemented. • highlight any trends in these statistics over the period from when Infrastructure Ontario first began overseeing traditionally delivered projects to the most recent projects. Status: Fully implemented.	Infrastructure Ontario provided the Committee with a summary table of the performance of its traditionally delivered projects over the last four years. On average, Infrastructure Ontario delivers 4,000 traditionally delivered projects a year. Of these projects, approximately 1,600 were over $100,000 and were assessed by Infrastructure Ontario for on-time and on-budget performance. The targets for these measures were on-time performance of >90% and a budget variance of +/–5%. In the last four fiscal years, from 2011/12 to 2014/15, Infrastructure Ontario's on-time performance ranged from 87% to 94.5% and its on-budget variance ranged from –0.9% to 0.9%, exceeding the targets in all cases except one instance of 87% on-time performance in 2011/12. The trend over the last four years shows improvement in performance measures, which, according to Infrastructure Ontario, can be attributed to changes in its procurement processes and revisions to the outsourcing service delivery model used for these projects.
Recommendation 5 Infrastructure Ontario shall report back to the Standing Committee on Public Accounts on the results of its third-party review of its budget process and estimating methodology Status: In the process of being implemented by winter 2017.	In 2015, Infrastructure Ontario retained a third-party cost-consulting firm through a competitive process to review the methodology Infrastructure Ontario uses to develop project budgets for AFP projects. The firm analyzed the budgets for 36 AFP projects with a construction value of $19.75 billion across all sectors. In addition to reviewing capital construction costs, the review analyzed the forecast accuracy of lifecycle and maintenance costs developed for budgets by Infrastructure Ontario. Infrastructure Ontario provided the Committee with the preliminary results of the review in September 2015. The final report, which Infrastructure Ontario has not provided to the Committee, was issued in March 2016. Although the report found that Infrastructure Ontario's methodology for producing budgets follows a process that is consistent with industry practices, it identified a number of areas for improvement. Specifically, the report noted that: • There continues to be room to improve budgets within the transit/transportation Design Build Finance Maintain (DBFM) portfolio. Overall budgets for projects in this portfolio appear to be conservative. • There continues to be a need for constant monitoring of industry trends in order to address any new trends. • Infrastructure Ontario should further leverage its expertise and portfolio knowledge to improve budgeting for lifecycle and maintenance costs. In response to the concerns identified in the report, Infrastructure Ontario is implementing a new project database system that will allow greater analysis and reporting on individual projects and sectors for budget development. Infrastructure Ontario anticipates this system will be implemented in the spring or summer of 2017. In addition, the budget and cost management team was restructured in 2016, with resources identified to improve the budget performance of the transit/transportation DBFM portfolio, including hiring of new personnel (a Quantitative Surveyor or Analyst) expected in the fall or winter of 2016 and the development of a new Cost Consultant Vendor of Record in winter 2017.

Committee Recommendation	Status Details
Recommendation 6 Infrastructure Ontario shall report back to the Standing Committee on Public Accounts on its competitive bidding process for AFP projects. This response must • explain how the remaining one-third of projects were chosen and how the system of scoring bidders' submissions would be modified to ensure appropriate weighting is given to both technical merits of the submission and price; Status: Fully implemented. • include steps taken to ensure the bidding process is a competitive one; and Status: Fully implemented. • include a summary of the average number of qualified bids received for AFP projects. Status: Fully implemented.	Infrastructure Ontario stated that all bids must meet minimum design-technical standards prior to being evaluated on price to ensure that the government or other public-sector client ultimately receives a high-quality, cost-efficient project. Historically, two-thirds of the projects have been awarded to bidders whose price is the lowest and whose design-technical score is the highest. Therefore, the remaining one-third would have been chosen based on price as long as the bidders met the minimum design-technical standards. In addition, Infrastructure Ontario undertook a review of its evaluation methodology and stated that there is currently appropriate balance to consider both technical and financial bid submissions, and it does not intend to make any major modifications to its bid scoring system. However, Infrastructure Ontario did made two adjustments to the system in 2015: • it introduced "sequential evaluation," whereby technical results are completely evaluated before any financial submissions are opened (in the past, this was done simultaneously by the technical evaluation and financial evaluation teams); and • it introduced a minimum scoring threshold in the technical submission for Build Finance projects, to further ensure that certain construction scheduling standards would be met. Infrastructure Ontario stated that its procurement process has controls and processes in place to ensure competitiveness. For instance, in some cases, prior to any procurement, "market sounding" is done to ascertain interest in particular projects and get feedback on potential transaction-structuring elements. Procurements are initiated through a Request For Qualifications phase, whereby all market competitors are open to submitting qualification submissions that meet established requirements. Only successful prequalified applicants are then invited to submit proposals in a Request For Proposals stage, which is a competitive process that also allows for commercially confidential meetings observed by fairness monitors. As well, Infrastructure Ontario has reported that, on average, its AFP projects delivered via the Build-Finance model typically involve five bids, whereas projects delivered via the Design Build Finance and Design Build Finance-Maintain models involve three bids.

Ornge Air Ambulance and Related Services

Standing Committee on Public Accounts Follow-Up on *March 2012 Special Report*

The Standing Committee on Public Accounts (Committee) held hearings on our 2012 Special Report titled *Ornge Air Ambulance and Related Services* in 2012, 2013 and 2014. Staff of the Ministry of Health and Long-Term Care (Ministry) and Ornge were required to give testimony on Committee questions. In June 2013, the Committee tabled an interim report in the Legislature describing issues and observations identified during the 2012 hearings. In October 2014, a second report was tabled. This second report provided an overview of the many subject areas touched on in the hearings in 2013 and 2014. It identified more than 60 "areas of concern" regarding Ornge's operations and the Ministry's oversight. The Committee planned to write a third report with recommendations to the Ministry and Ornge to address these concerns. However, the Ornge hearings were discontinued before this third report could be finalized.

Figure 1 summarizes the follow-up work we conducted to determine whether action was taken on key areas of concern that were included in the October 2014 Committee report. It includes only those concerns where action might be taken by either the Ministry or Ornge to improve a problem or issue. It therefore does not include, for example, concerns with the conduct of witnesses (such as the possibility that the information they provided was misleading or whether the parties conducted themselves in accordance with their applicable professional standards). It also excludes concerns relating to entities other than the Ministry or Ornge. For clarity, we have grouped the Committee's concerns into key areas.

Overall, we examined 44 of the "areas of concern" that were raised by the Committee and found that either the Ministry or Ornge has taken action to address 39(89%) of them, with two of them (5%) being in progress and three of them (6%) requiring further action. For example, the Ministry has not appointed members to Ornge's board, and the Ministry has not obtained staff with expertise in air ambulance services.

Figure 1: Committee Areas of Concern and Status of Actions Taken
Prepared by the Office of the Auditor General of Ontario

Area of Concern	Status
Oversight and Governance	
1. There was a lack of Ministry oversight of Ornge. (concern #5)	Action taken* In July 2012, the Air Ambulance Program Oversight Branch was established by the Ministry to provide oversight of Ornge and monitor compliance with the new 2012 performance agreement. The new performance agreement strengthened oversight by requiring more frequent reporting of results, including call volumes; allowing the Ministry to perform more inspections of Ornge, including unannounced inspections; and requiring Ornge to obtain Ministry approval prior to engaging in certain actions, such as altering its corporate structure.
2. Ministry appointments to Ornge's board of directors should clearly understand that they are the Minister's representative on the board. (concern #6)	Further action required. There is no current plan to make appointments to Ornge's board of directors. The Ministry did not appoint any representatives to Ornge's board, although it did make two appointments to board sub-committees.
3. Segregation of for-profit ventures from core service delivery is critical to protect public sector assets and service levels. (concern #7)	Action taken* In 2012, Ornge's board of directors and senior management team, who were responsible for creating profit-seeking enterprises, were replaced. The new volunteer board of directors and senior management team have worked to simplify Ornge's corporate structure by amalgamating some of the entities within their control. Although two entities within their control remain for-profit entities, they do not engage in for-profit undertakings and only deliver air ambulance and related services to Ontarians.
4. Ornge should be in compliance with all established administrative practices, including compensation levels, salary disclosure, procurement, whistle-blowing, and conflict-of-interest policies. (concern #8)	Action taken* The new performance agreement requires Ornge to comply with requirements of broader-public-sector directives, including salary disclosures and implementation of whistle-blower policies.
5. The Ministry must be aware of red flags and issues such as salary disclosure and investigations. (concern #13)	Action taken* Ornge is now required to publicly disclose salaries in excess of $100,000. Also, the 2012 performance agreement requires Ornge to immediately notify the Ministry of certain critical events, such as aviation incidents and all complaints that meet the criteria set out in the Ambulance Documentation Standards.
6. The Air Ambulance Program Oversight Branch staff lack the expertise and experience to provide effective Ministry oversight. (concern #16)	Further action required The Air Ambulance Program Oversight Branch has not been staffed with anyone with air ambulance experience and expertise, although the Ministry has access to other types of expertise, such as aviation services, from the Ministry of Natural Resources and Forestry and health services from the Public Health Division and the Chief Medical Officer Health.
7. Ornge lacked a clear conflict-of-interest policy. (concern #58)	Action taken Ornge has implemented a conflict-of-interest policy to ensure employees and board members support Ornge's interests and avoid situations where their personal interests actually or potentially conflict with the interests of Ornge.
8. Ornge should follow the Broader Public Sector Procurement Directive. (concern #60)	Action taken* The performance agreement between Ornge and the Ministry was revised in 2012 to require compliance with the Broader Public Sector Procurement Directive.

Area of Concern	Status
Conduct of Ornge's Former Board of Directors	
9. Ornge and the Ministry should take steps to retrieve funds and pursue directors who failed in their fiduciary responsibilities. (concern #26)	Action taken* Ornge is in litigation with the former President and CEO of Ornge, Dr. Chris Mazza, to recover funds. Ornge is awaiting the resolution of the Ontario Provincial Police investigation to conclude. This investigation is ongoing. No additional action has been taken against any of the other former directors.
10. The former board of directors failed to exercise its fiduciary responsibilities and provide the level of governance required to ensure air ambulance operations operated in compliance with the performance agreement. (concern #45)	Action taken* Ornge's former board of directors has been replaced.
11. Ornge was allowed to encumber the government and taxpayers with a debt offering that is ultimately a provincial responsibility. (concern #53)	Action taken* Revisions in 2012 to the Ministry's performance agreement with Ornge require Ornge to obtain the Ministry's approval prior to borrowing money or incurring debt or financial liabilities.
12. There are concerns that the marketing service agreement with AgustaWestland was done to take money out of the not-for-profit entities and give it to the for-profit entities. (concern #56)	Work in progress to address concern There is an ongoing Ontario Provincial Police investigation into financial irregularities at Ornge.
Corporate Culture	
13. There was a lack of professionalism between Ornge's former board of directors and management. (concern #29)	Action taken* Ornge's former board of directors and key senior management have been replaced.
Performance Reporting	
14. Reliable documentation was needed by the Ministry on a timely basis to assess service levels and cost-effectiveness of Ornge. (concern #1)	Action taken* Revisions to the Ministry's performance agreement with Ornge require more frequent reporting on operations, finances, labour and staffing, and legal issues, including quarterly expense reports, annual zero-based budget, and monthly reports on the number of calls serviced and percentage of calls serviced.
15. Performance measures were needed to provide standardized reporting on all aspects of Ornge's operations. (concern #2)	Further action required. There is no current plan to include a performance measure on the time to arrival at the scene or at a facility* Although many performance measures have been included in the 2012 revised performance agreement between Ornge and the Ministry, including reporting requirements to ensure medical staff are qualified, communications services are available at all times, and the availability of staffed aircrafts, no measures have been included regarding the time from when a call is initially received to when Ornge arrives on site (for emergency or urgent calls).
16. Ornge and the Ministry lacked useful and reliable data to drive evidence-based decision-making. (concern #3)	Action taken* Revisions to the Ministry's performance agreement with Ornge require more frequent reporting on operations, finances, labour and staffing, and legal issues, including quarterly expense reports, annual zero-based budget, and monthly reports on the number of calls serviced and percentage of calls serviced.

Area of Concern	Status
17. There was an absence of explicit performance service standards for areas such as paramedic qualifications for varying levels of calls. (concern #4)	Action taken Revisions to the Ministry's performance agreement with Ornge require Ornge to provide to the Ministry and publicly report an annual Quality Improvement Plan. This plan contains performance service standards including targets on the percentage of the time Ornge is able to staff two paramedics at all bases at a specific level of care.
Service Delivery	
18. The current business model of owning all aircraft directly and employing all pilots, paramedics and support staff may not be the most cost-effective model. (concern #30)	Action taken As part of its 2014-2017 strategic plan, Ornge undertook a review of its business model, which concluded that it continue with the status quo because it did not require an additional capital outlay and was evaluated as safer than the alternatives.
19. Consideration should be given to using an external base hospital for medical oversight instead of handling this internally. (concern #31)	Action taken The Ministry and Ornge considered alternative base hospital configurations and concluded that the current base hospital structure should not be changed, given that Ornge's base hospital is a member of the Ministry's medical advisory committee (providing it with access to evidence-based knowledge to develop appropriate medical directives).
20. Staffing levels may not be meeting established standards, and current training may not be ensuring the staff complement is able to perform required functions at all bases. Also, training may not be provided in a timely and cost-effective manner. (concern #32)	Action taken* Ornge's Medical Advisory Committee has standardized its internal paramedic crew staffing to provide clear standards on the level of care provided by each aircraft or vehicle based on the paramedic crew assigned to each transport. Data for its 2015/16 quality improvement plan indicated that by the third quarter of that year, Ornge was able to staff two critical-care paramedics at each base 72% of the time. Additional data for the period from January 1, 2016, to March 31, 2016, indicated that less than 1% of serviced calls required a hospital medical escort because Ornge could not meet the level of care required. Ornge also partnered with Cambrian College in 2014 to run an advanced-care paramedic training program, which reduced its internal training requirements.
21. Patient safety may have been compromised in certain cases due to the design of the AW139 helicopter medical interiors, understaffing of pilots and paramedics, and dispatch issues. (concern #34)	Action taken The medical interior was changed so that those currently installed in Ornge's AW139 helicopters meet Transport Canada requirements, as evidenced by a 2014 Transport Canada program validation inspection.
22. Inter-facility transfers may not be delivered efficiently, effectively, or on a timely basis to the satisfaction of patients and facility staff. (concern #36)	Action taken Ornge is required by the performance agreement to survey stakeholders annually. Survey results between 2012 and 2015 indicate that patients are generally happy with the overall care provided (overall satisfaction ranged between 70%–80% between 2012 and 2015). In addition, operational monitoring of inter-facility transfers occurs through the monitoring of response times, serviced and not serviced calls, and through oversight by a number of board sub-committees (such as the operations committee and quality of care committee).

Area of Concern	Status
23. Prior to Ornge, contractual arrangements with Canadian Helicopters yielded savings each year. (concern #39)	Action taken As part of its 2014-2017 strategic plan, Ornge undertook a review of its business model to determine whether it had the right number and type of aircraft. Proposals were received from four major helicopter manufacturers and three helicopter leasing companies and operators. Based on Ornge's internal analysis of proposals received, it decided to continue with the status quo business model of owning and operating a fleet of aircraft internally.
24. The current service delivery model must be reassessed. (concern #40)	Action taken As part of its 2014-2017 strategic plan, Ornge undertook a review of its business model to determine whether it had the right number and type of aircraft. Proposals were received from four major helicopter manufacturers and three helicopter leasing companies and operators. Ornge's internal analysis recommended that that it continue with the status quo business model of owning and operating a fleet of aircraft internally.
25. The AW139 medical interiors were not up to preferred standards. (concern #47)	Action taken The medical interior currently installed in Ornge's AW139 helicopters has been in use since February 2013 and meets Transport Canada requirements, as evidenced by a 2014 Transport Canada program validation inspection that found that "all areas of enterprise operation were in compliance with regulatory requirements."
26. There are concerns over the accuracy and reliability of Ornge's dispatch and reporting system, specifically its reporting on resource availability. (concern #49)	Action taken* In June 2015, Ornge implemented a new computer-aided dispatch system in order to improve its dispatch ability, reduce errors, and provide more accurate reporting. The Ontario Internal Audit Division plans to assess whether the new dispatch system ensures completeness and accuracy. A final report is tentatively scheduled for the first quarter of 2017.
27. There is unpredictability and uncertainty surrounding the functionality of the new dispatch system (given phases 2 and 3 of the three-phase rollout have yet to be developed), as well as the timeline for full implementation. (concern #50)	Action taken* The new dispatch system went live in June 2015 and is fully operational.
Standing Agreement Carriers	
28. Standing agreement carriers made numerous attempts to raise issues about Ornge to the Minister, but no action was taken. (concern #10)	Action taken Ornge meets annually with the standing agreement carriers to maintain and improve working relationships and to address any issues as they arise. In addition, the Ministry continues to monitor Ornge's oversight of its standing agreement carriers at the monthly Ornge/Ministry meetings. The Ministry had no reports of any recent complaints from Ornge's standing agreement carriers. In addition, Ornge's CEO communicated to standing agreement carriers that they have a number of avenues to raise concerns, such as meetings with the Ministry and Ornge or through the whistle-blower policy which is facilitated by an external consulting firm.

Area of Concern	Status
29. Contract negotiations with standing agreement carriers must take place in a transparent manner. (concern #42)	Action taken Ornge employs a "negotiated procurement process," whereby Ornge establishes its requirements and evaluation criteria. Submissions are then evaluated against the disclosed criteria and the highest-ranking proponent becomes the "preferred proponent," which is then given the opportunity to negotiate a final, binding contract with Ornge (the negotiation process may include negotiation of pricing). All proponents are subject to the process and the same evaluation criteria are disclosed in the RFP. Ornge will re-procure standing agreement carrier services in 2017/18 and is currently in the early stages of developing the procurement process and documents. Ornge will be procuring the services of a fairness adviser to support the process, and anticipates that there will be a negotiation stage.
30. In at least one instance, standing agreement carrier pilots did not receive proper training on the use of equipment. (concern #44)	Action taken Transport Canada Civil Aviation audits air operators via its Surveillance Program. The audits verify compliance with regulatory requirements and confirm effective systems are in place to ensure compliance on an ongoing basis. Pilot training is one aspect of these audits conducted by Transport Canada. A 2014 Transport Canada program validation inspection performed on Ornge's operations found that "all areas of enterprise operation were in compliance with regulatory requirements." Ornge has also implemented a process within the flight crew tracking program as part of its dispatch process that restricts the dispatch of a crew member if he or she does not possess the required training requirements.
31. There are concerns over the effectiveness of Ornge's communication of its whistle-blower policy. (concern #51)	Action taken Ornge issued a news release in December 2012 with details of the whistle-blower policy and also posted information about it on its public website.
Investigations, Inspections, Audits	
32. The resolution of investigations and complaints may not be conducted in a timely manner. (concern #18)	Action taken New time requirements have been set through the amended performance agreement. For example, Ornge is required to notify the Ministry of any incidents that meet pre-set criteria. When the Ministry is notified, a standard process is followed to determine if an investigation is required, including a determination of whether Ornge, the Ministry, or both will conduct the investigation. In cases where follow-up action is required, either a 10-day or 40-day time period is given to Ornge to indicate how it will take corrective action. Ornge's complaint data is overseen by the Ministry and Ornge's Operations Committee.
33. A January 2013 Transport Canada Program Validation Inspection identified a number of areas of non-compliance at Ornge. (concern #19)	Action taken Ornge provided a Corrective Action Plan to Transport Canada based on the findings of the inspection, and a subsequent letter was provided by Transport Canada indicating corrective actions were taken that addressed the issues identified.
34. Two Transport Canada inspection reports found Ornge to be out of compliance with night flight training of pilots. (concern #20)	Action taken The results of a 2014 Transport Canada program validation inspection found that "all areas of enterprise operation were in compliance with regulatory requirements." Ornge has implemented a process within the flight crew tracking program as part of its dispatch process that restricts the dispatch of a crew member if he or she does not possess the required training requirements.

Area of Concern	Status
35. Up-to-date records are needed to ensure pilots and paramedics do not exceed the maximum number of work hours allowed under Transport Canada rules. (concern #21)	**Action taken** Ornge has an internal system to monitor pilots' compliance with Transport Canada duty regulations. The current system, implemented in 2011, allows for the continual review of flight hours and automatically flags any flight and duty time that exceeds the maximum number of hours prior to assignment of a flight. Ornge also tracks hours worked by pilots in non-Ornge aircraft.
36. Ministry audits may be inconsistent and not conducted on a regular basis. (concern #22)	**Action taken** Ambulance service reviews are conducted every three years and are scheduled no less than six months prior to certificate expiry. This provides time for the review process to be completed prior to certificate renewal being issued.
37. There may still be outstanding issues from the Ontario Internal Audit Division's 2013 audit of Ornge related to board governance, compliance with directives, and Ornge's reporting to the Ministry. (concern #24)	**Action taken** As of October 2016, the Ministry reported that Ornge had implemented almost all of Internal Audit's recommendations, with most others to be implemented by early 2017.
38. The actual standard-of-care results are less than reported. (concern #35)	**Action taken** Ornge implemented a new dispatch system in June 2015 to enhance the accuracy, quality and type of data available to Ornge and ensure more accurate reporting. The Ministry's Internal Audit Division plans to assess whether the new system supports more complete and accurate reporting. A final report is tentatively scheduled for the first quarter of 2017.
Salaries and Payments	
39. Non-disclosure of salaries at Ornge should have been a red flag to the Ministry. (concern #12)	**Action taken** The revised performance agreement requires Ornge to comply with the *Public Sector Salary Disclosure Act*. Ornge discloses all employees who earned more than $100,000 and worked for one of their non-profit entities. Ornge's two for-profit entities that employ aviation staff are not subject to this legislation, but Ornge still publicly discloses these positions and related salaries, although these individuals' names are not disclosed.
40. Excessive compensation was paid to board members of a public sector enterprise, and apparent conflicts of interest existed. (concern #46)	**Action taken** The entire board of directors was replaced in 2012, and a new conflict-of-interest policy was implemented in November 2012. Ornge board members do not receive any compensation for their services. They are reimbursed for expenses incurred in accordance with Ornge's Travel, Business Expense & Hospitality Reimbursement Policy and Board Service Policy. Expenses typically include travel, accommodation and meals incurred for Ornge business purposes. The expenses paid to board members and executives are posted on Ornge's public website on a semi-annual basis. Information posted includes date of the claim, amount claimed and description of the expense in accordance with the requirements of the broader public sector directives.
Other	
41. The committee questions the integrity of Argus' business practices and ethics, and believes Ornge should reassess its business relationship with Argus. (concern #23)	**Further action required** Ornge informed Argus in 2012 to stop the business practice of soliciting standing agreement carriers for additional work, and Ornge is reviewing options beyond 2017 upon the expiry of their contract with Argus.

Area of Concern	Status
42. There are concerns about the effectiveness of Ornge's training model, the implications of Ornge's control over flight paramedic training, and the dependence on Ornge for training. (concern #43)	Action taken Ornge is facilitating an accelerated program for Ornge paramedics who have not yet achieved Advanced Care or Critical Care certification. In September 2014, Ornge established a partnership with Cambrian College to train paramedics to the Advanced Care Paramedic Flight level. Further partnerships are being explored by Ornge.
43. The Committee would like an update on the outstanding recommendations in the Special Report. (concern #67)	Action taken* Our follow-up on the 2012 Special Report accomplishes this.
44. Budget pressures due to financial commitments, including staff bonuses, must not compromise air ambulance core services. (concern #54)	Action taken The revised performance agreement requires that Ornge submit a zero-based budget annually, which allows the Ministry to identify and analyze detailed program expenditures to ensure that the funding provided reflects the services delivered.

* Refer to **Chapter 2**, **Section 2.02** in this Volume of our Annual Report.

Public Accounts of the Province

Standing Committee on Public Accounts Follow-Up on Chapter 2, *2014 Annual Report*

The Committee held a public hearing on our 2014 Chapter 2 Public Accounts of the Province in November 2015. It tabled a report in the Legislature resulting from this hearing in April 2016. The full report can be found at **www.ontla.on.ca/committee-proceedings/committee-reports/PublicAccountsoftheProvince**.

The Committee made a total of five recommendations and asked the Treasury Board Secretariat to report back on the first three recommendations by June 4, 2016, and the last two recommendations by August 3, 2016. The Deputy Minister of the

Treasury Board Secretariat formally responded to the Committee for the first three recommendations on June 2, 2016, and on August 3, 2016, for the last two recommendations.

Information was provided to the Committee as requested for all five recommendations. The status of the Committee's recommendations is shown in **Figure 1**.

Figure 2 shows the recommendations and the status details that are based on responses from the Deputy Minister of the Treasury Board Secretariat and our review of the information provided.

Figure 1: Status of Actions Recommended in Committee's Report

Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented*	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1		1		
Recommendation 2	1	1			
Recommendation 3	1	1			
Recommendation 4	1	1			
Recommendation 5	1	1			
Total	**5**	**4**	**1**	**0**	**0**
%	**100**	**80**	**20**	**0**	**0**

* Some recommendations required the Ministry to provide information to the Committee. The cases in which the Ministry provided the information as requested have been counted as "fully implemented."

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Officials provide details on the government's long-term debt reduction plan of reducing net debt-to-GDP ratio from 2013/14 levels of 38.6% to pre-recession levels of 27%. Status: In the process of being implemented.	The government published its fiscal plan in the 2016 Budget. It includes Ontario's plan for eliminating the deficit in 2017/18, managing the debt, and growing the economy, all of which are critical for reducing the net debt-to-GDP ratio. Debt is incurred primarily for two reasons: to finance deficits and invest in capital assets. Ontario is making public infrastructure investments of more than $137 billion over the next 10 years, or about $160 billion over 12 years, starting in 2014/15. The government's plan is to balance the annual budget and continue to make investments in capital assets, which it has indicated will add to economic growth. As GDP grows more quickly and surpluses are experienced, the net debt-to-GDP ratio will decline over time to meet the government's target. The projected date of achievement has not yet been identified.

Committee Recommendation	Status Details
Recommendation 2 Officials provide clarification and further details on measures to be taken relating to the statement that "the government is committed to eliminating the annual deficit by 2017–18." **Status: Fully implemented.**	The 2016 Budget reported that the government was projecting a deficit of $5.7 billion in 2015/16—an improvement of $2.8 billion compared to the 2015 Budget forecast. The actual deficit in 2015/16 was $5 billion. The government is projecting a deficit of $4.3 billion in 2016/17 and balanced budgets in 2017/18 and 2018/19. Supported by the outlook for continued economic growth, revenue was projected to grow by an average annual rate of 4.6% between 2014/15 and 2018/19. Program expense was projected to grow at an average annual rate of 1.9% over the 2014/15 to 2018/19 period. Ontario's plan to eliminate the deficit includes: • transforming government and responsibly managing spending; and • ensuring revenue integrity and addressing the underground economy. Further details about the plan for transforming government and responsibly managing spending include: • Program Review Savings Target—The 2014 Budget announced a program review savings target set at $250 million for 2014/15 and $500 million for 2015/16. The 2014/15 target was met, and the 2015/16 target was met. • Program Review, Renewal and Transformation (PRRT)—PRRT is helping the government achieve better outcomes while also lowering costs. PRRT will remain focused on ensuring government programs and services are effective, efficient and sustainable. • Managing Compensation—The 2015 Budget required any modest negotiated wage increases to be offset by other measures to create a net-zero outcome. Since then, net-zero outcomes have been reached in a number of key sectors, including the education sector, Ontario Public Service and provincial energy corporations. From July 2012 to February 2016, the provincial public-sector average annual wage increases averaged 0.6%, which is below the municipal (1.8%), federal (1.7%) and private sectors (1.9%) in Ontario. Further details about the plan for ensuring revenue integrity and addressing the underground economy include: • Since 2013/14, the government has made progress in fighting underground economic activities. Consultations were held with high-risk sectors, with a view to partnering with industry and gaining insight into how best to tackle the underground economy. Through ongoing enhanced compliance-focused measures, including those that address underground economy activity in high-risk sectors, Ontario has generated over $930 million to date—a $330 million increase over the amount reported in the 2015 Budget. The Province required corporations to demonstrate compliance with federal and provincial taxes before receiving government procurement contracts. Since February 2014, the government has verified compliance for more than 2,200 contracts. The *Taxation Act, 2007*, was amended to make the sale, use or distribution of electronic sales suppression devices an offence. • The Province is continuing to focus on underground economy activities in all high-risk sectors, and will continue to take concrete action to better support consumer and worker safety, as well as provide a level playing field for businesses. • The Province is prepared to launch specialized audit teams to focus on sectors that are at high risk of underground economic activity, in partnership with the Canada Revenue Agency.

Committee Recommendation	Status Details
Recommendation 3 Officials provide supporting data confirming that average annual growth in program spending has been held to 1.4% less than the rate of inflation. Status: Fully implemented.	This is a reference to the 2010/11 and 2014/15 period. As outlined on pages 286 and 287 of the 2016 Budget, 2010-11 actual program expense was $111,706 million, and 2014-15 actual program expense was $118,225 million. This represents an increase of 1.4% per year (where growth rate is calculated using the standard compound average growth rate formula). This increase of 1.4% per year is less than the rate of inflation, which averaged 2.0% over the 2010–14 period (per Statistics Canada CANSIM table 326-0021).
Recommendation 4 Officials provide an update on specific impacts of removing the debt retirement charge from residential users' electricity bills after December 31, 2015. Status: Fully implemented.	Prior to eliminating the Debt Retirement Charge (DRC) for residential users on January 1, 2016, the DRC provided annual revenues of about $950 million from residential and industrial users to the Ontario Electricity Financial Corporation (OEFC). The revenues of OEFC are consolidated into Public Accounts. Residential users account for about a third of electricity consumption subject to the DRC. Therefore, on an annualized basis, the direct DRC revenues forgone from removing the DRC cost from residential bills is estimated to be over $300 million. The projected amount of DRC revenue in 2016/17 in the 2016 Budget is $625 million.
Recommendation 5 Officials provide an update on what impact the *Budget Measures Act, 2015* may have on the residential stranded debt as it relates to calculating and repaying this debt. Status: Fully implemented.	The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* providing for a fixed legislative end date for the Debt Retirement Charge (DRC) for industrial, commercial and all other users of electricity. Previously, under the *Electricity Act*, DRC would have ended when the residual stranded debt was determined to be retired. As the purpose for calculating the residual stranded debt was eliminated with the introduction of a fixed legislative end date for the DRC, all reference in the *Electricity Act* to the "stranded debt" and "residual stranded debt" were removed with the amendments enacted with the *Budget Measures Act, 2015*. This included the removal of the requirement to determine (that is, calculate) the residual stranded debt from time to time and the regulation-making authority for O. Reg. 89/12—rendering the regulation obsolete. Even with the legislated end date to the DRC, stranded debt continues to exist. Under the *Electricity Act*, the Ontario Electricity Financial Corporation (OEFC) continues to have a requirement to provide an Annual Report, including annual financial statements, which include the annual update of its "unfunded liability" (sometimes called the "stranded debt"). This provides transparency on OEFC's revenues (including the DRC) and costs, and progress on pay-down of stranded debt. OEFC's annual financial statements are published in Volume 2 of Public Accounts. Following the end of the DRC, under the *Electricity Act*, OEFC continues to receive other dedicated revenues, such as payments in lieu of taxes from OPG and municipal electricity utilities, the provincial portion of corporate income taxes from Hydro One, and the Gross Revenue Charge (portion related to property taxes on hydro-electric stations), toward servicing and paying down its debt and other liabilities.

Smart Metering Initiative

Standing Committee on Public Accounts Follow-Up on Section 3.11, *2014 Annual Report*

The Committee held a public hearing in May 2015 on our 2014 audit of the Smart Metering Initiative. It tabled a report in the Legislature resulting from this hearing in November 2015. The full report can be found at **www.ontla.on.ca/ committee-proceedings/committee-reports/ SmartMeteringInitiatve**.

The Committee made eight recommendations and asked the Ministry of Energy (Ministry), the Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to report

back by the end of March 2016. The Ministry, the OEB and the IESO formally responded to the Committee on March 22, 2016, on March 23, 2016, and on March 14, 2016, respectively. A number of issues raised by the Committee were similar to the observations we made in our 2014 audit. The status of the Committee's recommendations is shown in **Figure 1**.

Figure 2 shows the recommendations and the status details that are based on responses from the Ministry, the OEB and the IESO, and our review of the information they provided.

Figure 1: Status of Actions Recommended in November 2015 Committee Report

Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented*	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1				1
Recommendation 2	1	1			
Recommendation 3	2	2			
Recommendation 4	1	1			
Recommendation 5	1	1			
Recommendation 6	2	1		1	
Recommendation 7	1	1			
Recommendation 8	1	1			
Total	**10**	**8**	**0**	**1**	**1**
%	**100**	**80**	**0**	**10**	**10**

* Some recommendations required the Ministry/IESO/OEB to provide information to the Committee. The cases in which they provided the information as required we have counted as "fully implemented."

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 The Ministry review the role of the OEB as an independent regulator when ministerial directives that impact electricity rates are issued and report back to the Committee on its results. Status: Will not be implemented.	The Ministry did not review the role of the OEB as an independent regulator when ministerial directives that impact electricity rates are issued. The *Energy Statute Law Amendment Act, 2016*, proclaimed into force on July 1, 2016, changed the electricity planning process in Ontario. Under the new legislation, the Ministry is responsible for developing and updating Long-Term Energy Plans for Ontario while the OEB is responsible for preparing an implementation plan when the Ministry requests it. Although the new long-term energy planning process includes a role for the OEB in facilitating the implementation of the Long-Term Energy Plan objectives, it does not enable OEB to review and approve the Ministry's plans as an independent regulator.
Recommendation 2 The Ministry should work with the OEB and report back to the Standing Committee on Public Accounts on its completed review of TOU pricing design. Status: Information has been provided.	The OEB completed its review of the electricity price plan including time-of-use (TOU) pricing design and released a report on November 16, 2015, which outlined a multi-year plan in five action areas. These actions include: 1. updating the pricing plan's objectives, including a greater focus on peak demand reduction; 2. improving consumers' understanding of the TOU program and how to effectively respond to TOU pricing; 3. conducting pricing pilots to determine an optimal pricing structure; 4. engaging low-volume business consumers to discuss TOU concerns; and 5. working with the government to reduce regulatory barriers that limit OEB's ability to change the TOU periods and the allocation of the Global Adjustment. The OEB has already incorporated new objectives into its pricing plan (action 1). It is currently in the process of implementing the remaining four actions. For example, the OEB issued a request for proposals to retain a consultant to assist with the redesign of its consumer website to help consumers better respond to pricing signals and manage their energy consumption. The OEB also engaged an internationally-recognized expert to help set up pricing pilots to assess options for new TOU designs. The OEB estimated that it will take about three to five years to fully implement all five actions.
Recommendation 3 The OEB shall report back to the Standing Committee on Public Accounts on the most recent results of its consumer research program. This response must include results on: • consumer awareness with respect to TOU; • consumer response to TOU pricing. Status: Information has been provided.	The OEB commissioned a consumer researcher to gather evidence on consumer awareness about TOU. Key findings from the consumer research, completed in January 2015, were as follows: • consumers have a moderate level of awareness of the TOU program; • residential and business consumers displayed confusion and a lack of understanding about the electricity system in Ontario; • many consumers do not understand the charges on their electricity bills; • beyond knowing the names of the TOU periods, consumer awareness falls off drastically; and • even consumers who are aware of TOU pricing may still not understand when and how it operates or what behaviours are necessary to reduce their electricity bills. The OEB also commissioned a review to assess the ways in which consumers are, and are not, responding to the current TOU pricing structure in Ontario. Key findings from the December 2014 report included: • the perceived or actual monthly savings accrued as a result of shifting consumption behaviours may not be enough of an incentive to warrant sustained behaviour change; • the behaviours required to shift from high- to low-peak hours are perceived as being too complex and time consuming; and • automatic or routine behaviours are hard to change—even those who understand TOU pricing and intend to shift their consumption behaviour may not end up doing so because of scheduling hassles.

Committee Recommendation	Status Details
Recommendation 4 The Ministry shall work with the OEB and report back to the Standing Committee on Public Accounts on how to improve the structure and presentation of customers' bills. **Status: Information has been provided.**	The OEB identified a number of ways to improve the structure and presentation of customers' bills. By October 2018, the OEB intends to make recommendations on how to make electricity bills easier to understand. The OEB also intends to undertake various pilots and assess mechanisms such as: • re-naming the TOU time periods; • re-designing the visual presentation of TOU time periods; • modifying the overall presentation of the bill; and • providing better information on different household appliances, such as the amount of electricity the appliance consumes, the cost of that electricity, and how use and costs can be managed under TOU pricing. The OEB has limited ability to mandate changes to the electricity bills of low-volume consumers because they are governed by Ontario regulations. The OEB intends to use the results of the pilots mentioned above to develop recommendations for changes to electricity bills. The OEB has also engaged in discussions with its new Consumer Panel to get feedback on how it can make electricity bills more user-friendly.
Recommendation 5 The OEB shall report back to the Standing Committee on Public Accounts on its review of consumer complaints at Hydro One. **Status: Information has been provided.**	The OEB reported that the root causes of increased consumer complaints to Hydro One were billing issues that arose from Hydro One's new customer information system and its metering communication network. The OEB required Hydro One to develop plans and take corrective actions to fix the technical issues affecting its customer billing system and the smart-meter network. The OEB also required Hydro One to respond to all complaints within 10 business days, instead of the previous standard of 21 days. The OEB instructed Hydro One to stop all collection activities in cases that involved billing accuracy complaints, including late payment charges and disconnections, and to stop referring those accounts to collection agencies. The OEB has been holding regular bi-weekly meetings with Hydro One to ensure Hydro One is complying with the requirements above. The OEB reported that Hydro One returned to normal collection operations in mid-2015.
Recommendation 6 The Ministry shall report back to the Standing Committee on Public Accounts on: • its completed business case concerning costs, benefits, and implementation considerations of access to electricity usage data; **Status: Fully implemented.** • its efforts to reduce duplication of the processing costs of smart-meter data. **Status: Little or no progress.**	On October 15, 2015, at the Ministry's request, the IESO (in conjunction with the Advanced Energy Center) completed a business case for a project that allows access to electricity usage data to help the Ministry make informed decisions on energy policy, infrastructure planning and conservation programs. According to the business case, the potential benefits of the new data project will outweigh its potential costs. The business case also included an implementation plan which outlined several considerations, including ways of ensuring privacy and security of customer information. However, at the time of this follow-up, the Ministry had put implementation on hold until the IESO finished work on the provincial data system to collect additional information, such as postal code and occupancy change data in a non-personal manner. We found that the Ministry has made little progress in reducing the duplication of smart-meter processing costs. Specifically, the Ministry was unable to provide assurance that ratepayers are not paying for duplication of processing costs on smart-meter data. The Ministry indicated that the IESO has the exclusive authority to conduct validation, estimating and editing services for smart-meter data. If local distribution companies are duplicating the functionalities of the provincial data centre, they are acting contrary to government regulation. We noted that a large local distribution company with about 700,000 smart-meter customers (the same distribution company we identified in our 2014 report) was not transmitting any data to the provincial data centre although its customers were still being charged the monthly 79¢ Smart Metering Charge to recover the costs for doing so. This company has obtained approval from the OEB to fully integrate with the provincial data centre and has agreed to start using the provincial data centre to process TOU bills by September 2017. However, we noted that the amount collected from this company's customers for the provincial data centre the company had yet to start using totalled $20.9 million as of mid-2016 (up from $7.7 million at the time of our 2014 audit).

Committee Recommendation	Status Details
Recommendation 7 The IESO shall provide the Standing Committee on Public Accounts a list of the functions that the IESO has exclusive authority over that are fulfilled by the provincial data centre. Status: Fully implemented.	The IESO provided the Standing Committee on Public Accounts with the requested list of functions. According to Ontario Regulation 393/07, the IESO has the authority to: • collect, manage and store meter data; • perform validation, estimating and editing activities to identify and account for missed or inaccurate meter data; • operate one or more databases to facilitate collecting, managing, storing and retrieving meter data; and • prepare data that is ready for use by distributors to bill ratepayers.
Recommendation 8 The IESO shall report back to the Standing Committee on Public Accounts on steps it has taken to strengthen cybersecurity (i.e., use of encryption, etc.) with respect to smart-meter data at both the provincial data centre and locally with the LDCs. Status: Information has been provided.	The IESO and the Information and Privacy Commissioner of Ontario jointly developed a privacy and security framework for the provincial data centre. This framework includes steps to ensure that only local distribution company users and their authorized third-party vendors are able to retrieve smart-meter information. In November 2015, the IESO received its sixth consecutive annual clean audit. The audit, by an independent external audit firm, examined the Meter Data Management and Repository's operations, processes and procedures. The audit confirmed that appropriate controls are in place at the IESO. It also specified the controls that should be in operation at local distribution companies to prevent and detect unauthorized access to smart-meter data. The IESO also recently introduced the following new measures to help local distribution companies manage their users' access to the provincial data centre: • Distribution companies must respond to a security question they have previously created when requesting the IESO to grant a new user access to the provincial data centre. • Distribution companies must review their users' accounts annually and notify the IESO of any changes required in a timely manner. • The IESO conducted two webinar sessions to educate distribution companies about their responsibilities for establishing security controls within their own organizations to complement those in place at the IESO. Although only 14 people attended, the webinars were recorded and are available at any time to local distribution companies through the Smart Metering Entity's secure online information centre.

University Undergraduate Teaching Quality

Standing Committee on Public Accounts Follow-Up on Section 4.11, *2014 Annual Report*

In April 2015, the Committee held a public hearing on our 2014 follow-up to our 2012 audit of University Undergraduate Teaching Quality. The Committee tabled a report on this hearing in the Legislature in June 2015. The full report can be found at **www.ontla.on.ca/ committee-proceedings/committee-reports/ UniversityUndergraduateTeachingQuality**.

The Committee made five recommendations and asked for a report back by the beginning of October 2015 from the Ministry of Training, Colleges and Universities (now the Ministry of Advanced Education and Skills Development), and the three universities we examined in our audit and follow-up: the University of Toronto, the University of Ontario Institute of Technology, and Brock University. The Ministry formally reported back to the Committee on October 1, 2015, and included responses from the three universities. The Committee raised a number of issues similar to observations we made in our audit and follow-up. In February 2016, our Office asked the Ministry and the three universities to provide an update on the status of actions taken to address the Committee's recommendations. The updated status of the Committee's recommendations is shown in **Figure 1**.

Figure 2 shows the recommendations and the status details that are based on responses from the Ministry and the three universities, and our review of the information they provided.

Figure 1: Status of Actions Recommended in the Committee's Report

Prepared by the Office of the Auditor General of Ontario

	# of Actions Recommended	Status of Actions Recommended			
		Fully Implemented	In Process of Being Implemented	Little or No Progress	Will Not Be Implemented
Recommendation 1	1		1/3	1/3	1/3
Recommendation 2a	1			2/3	1/3
Recommendation 2b	1	1/3	1/3		1/3
Recommendation 3	1	1			
Recommendation 4	1		1		
Recommendation 5	1	1			
Total	**6**	**2 1/3**	**1 2/3**	**1**	**1**
%	**100**	**39**	**27**	**17**	**17**

At the time of our follow-up, two-thirds of the Committee's recommended actions had either been implemented or were in the process of being implemented. This included recommendations made to the Ministry to identify effective tools for measuring employment and education outcomes for university graduates, and making employment outcome data by program and university publicly available. All three universities were providing feedback to full-time faculty on their teaching performance. Both the University of Toronto and the University of Ontario Institute of Technology had made progress in implementing 75% of the recommended actions, while Brock University had made progress in implementing only 25%.

Three of the recommended actions will not be implemented by all three universities. The University of Ontario Institute of Technology would not be making the results of student course evaluations available to other students because the collective agreements with faculty would not permit it. In addition, the university believes the publication of student course evaluations would damage faculty relations while failing to improve teaching quality. Brock University did not intend to implement mandatory performance appraisals of sessional instructors because they had few sessional instructors (less than 14%), nor to examine the impact of sessional instructors on teaching because course evaluations were the property of faculty.

Figure 2: Committee Recommendations and Detailed Status of Actions Taken

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
Recommendation 1 Universities continue to take steps to make the results of course evaluations available to students to assist them in making their course selections. **Status: University 1 In the process of being implemented by 2019/20; University 2 will not be implemented; University 3 little or no progress.**	**University of Toronto** The university developed a new online system used by the majority of faculties to share their course-evaluation results. The university advised that 84% of all undergraduate and graduate students are enrolled in a faculty that has implemented the system, and so can access the course evaluations online. One campus at this university continues to post its course-evaluation results online through its student website, as it did under a previous course-evaluation system. The projected timeline for implementation across all faculties is the end of the 2019/20 academic year. **University of Ontario Institute of Technology** The university advised that this recommendation would not be implemented because almost 98% of courses have positive reviews, 40% of courses are offered only once per year, and only 20% of courses have more than one instructor. In addition, the university believes publication of student course evaluations would damage faculty relations while failing to improve teaching. In addition, changes in the availability of student evaluations would have to be negotiated with faculty unions. **Brock University** The university is not able to provide the results of student evaluations to students because the current collective agreement between faculty and the university stipulates that course evaluations are the property of faculty members. The current collective agreement expires in June 2017, and the university said it may then consider renegotiating this provision.

Committee Recommendation	Status Details
Recommendation 2a Universities conduct performance appraisals of sessional instructors; and **Status: Universities 1 and 2 little or no progress; University 3 will not be implemented.**	**University of Toronto** The collective agreement gives university departments the option to conduct performance appraisals of sessional instructors once per term for each course, using methods deemed appropriate by the Dean. These include a classroom visit after advance notice to the sessional instructor. Otherwise, only sessional instructors looking for advancement undergo a mandatory performance appraisal, which includes the Advancement Committee observing the instructor in the classroom. The university was unable to provide the number and percentage of sessional instructors given performance appraisals in the last year because the information was kept in the various departments and not tracked centrally. **University of Ontario Institute of Technology** The collective agreement includes provisions allowing Deans to conduct performance appraisals of sessional instructors during the instructor's first teaching term, and periodically thereafter, for the purpose of assessing performance, ensuring quality, and providing the instructor with constructive feedback. The university was unable to provide the number and percentage of sessional instructors receiving performance appraisals because it does not collect such data. It also indicated that the performance appraisal of sessional instructors is a process managed by Deans, who have discretion over the timing, nature, and frequency of evaluations. **Brock University** The university informed us that it has no formal process in place to evaluate sessional instructors. The collective agreement requires only faculty members holding tenured or tenure-track positions to undergo an annual performance appraisal. The university also informed us that, in evaluating an applicant's qualifications for a sessional appointment, it deems performance in a previous appointment at the university satisfactory if no written performance evaluation to the contrary exists, or if no performance evaluation has been conducted. The university was unable to provide the number and percentage of sessional instructors receiving performance appraisals because they do not keep this data centrally. The university does not intend to implement mandatory performance appraisals of sessional instructors or include them in the next round of negotiations with its faculty union. It argues that the majority of its instructors are evaluated since its collective agreement limits the percentage of courses that can be taught by non-tenured or tenure-track faculty to 14%.

Committee Recommendation	Status Details
Recommendation 2b Examine the impact on teaching quality of the use of sessional instructors. **Status: University 1 in the process of being implemented by the end of 2016; University 2 fully implemented; University 3 will not be implemented.**	**University of Toronto** The university advised that it believes an enhanced analysis of course-evaluation data would help faculties and departments assess the impact of different delivery options on student learning (including the use of sessional instructors). Thus, it plans to build upon its existing analytic capacity through improved data-management systems. The university is currently working to develop a suite of customizable reporting tools to support enhanced institutional analysis at the faculty, department, program, and instructor level, and enhance reporting functions for the purpose of making more informed assessments of teaching quality and curricular development. Access to the new system will be granted to senior administrators in all academic divisions, and to administrative and teaching support offices engaged in the evaluation and support of professional development for the university's teaching staff. **University of Ontario Institute of Technology** The university advised that the performance of sessional instructors is reported and reviewed by the Dean, who compares aggregated scores for the entire university and the home faculty. Data is arranged chronologically and by subject, and the Dean assesses changes over time and identifies potential issues requiring follow-up action. The university advised that the majority of courses receive positive evaluations, with only 2% of courses offered in 2015/16 receiving negative evaluations. According to the university, certain programs such as education, nursing, and commerce benefit from greater reliance on sessional instructors because contact with professionals in practice is a key feature of the teaching methodology. For these programs, the university found that instructors in 2014/15 and 2015/16 received consistently high ratings. The university also said it has no evidence that students are less satisfied with sessional instructors than full-time instructors. **Brock University** The university has no plans to address this part of the recommendation. It advised that, although the impact on teaching quality of the use of sessional instructors could be assessed by comparing student course evaluations of sessional instructors with those of full-time tenured faculty, the student course evaluations of full-time tenured faculty are the property of the instructor. The university therefore does not have access to those course evaluations.

Committee Recommendation	Status Details
Recommendation 3 Universities provide substantive feedback to full-time faculty on teaching performance, and encouragement to improve teaching performance where warranted. **Status: All three universities fully implemented.**	The process to provide substantive teaching-performance feedback to full-time faculty, and to encourage teaching improvement where warranted, is generally the same at all three universities. Each requires full-time faculty to submit an annual activity report to their Dean or Chair/Director that details their activities and accomplishments during the year, supported by evidence such as teaching portfolios, student course evaluations, curriculum development, and any other evidence of teaching effectiveness. The Dean or Chair/Director then reviews and evaluates these submissions, and provides feedback to faculty. The University of Toronto and the University of Ontario Institute of Technology stated that they provide written feedback to all assessed faculty, while Brock University provided written feedback only to those whose performance is not consistent with expectations of the collective agreement. Where issues are identified, each university can recommend remedial action to faculty members to help improve their performance. Remedial action generally consists of referral to the university's teaching support institution (such as the Centre for Teaching Support and Innovation at the University of Toronto, the Teaching and Learning Centre at the University of Ontario Institute of Technology, and the Centre for Pedagogical Innovation at Brock University) which provides observation and consultation of teaching performance, and workshops on curricular development and course design. In addition, Deans or Chairs/Directors can provide suggestions to faculty regarding reading material, online resources, and sharing of best practices from their own experience. They can also provide mentorship from a senior faculty member.
Recommendation 4 The Ministry of Training, Colleges and Universities identify effective tools for measuring employment and further education outcomes for graduates of Ontario universities. **Status: In process of being implemented by the end of 2017.**	The Ministry has pursued a number of initiatives to improve the measurement of student outcomes, and has taken steps to make more information available to students to help them make well-informed decisions about their education. These initiatives include: **The Ontario University Graduate Survey** Since our 2012 audit, the Ministry has expanded collection and publication of student outcome data through the Ontario University Graduate Survey. This survey publishes provincial results on salary, relatedness between field of study and employment, full-time versus part-time employment, and level of education required for employment. The Ministry expects to introduce a new pilot survey for those completing graduate programs, such as Masters and PhDs, in fall 2017. The survey will collect information on multiple graduating classes and include questions regarding employment outcomes, program and university satisfaction, occupation and salaries, career pathways, overall experience, and learning outcomes. The Ministry plans to release the results of the pilot survey by the end of 2017. **The Ontario Education Number** The Ministry advised that it continues to work with Ontario's publicly-assisted post-secondary institutions to implement the Ontario Education Number (OEN), a unique identifier assigned to each student by the Ministry of Education since 2003 to track students from junior kindergarten to grade 12. In 2012, publicly-funded post-secondary institutions began assigning OENs to their students who did not have one coming out of grade 12, such as students from out–of-province. Recent university enrolment reports have OENs for 99% of full- and part-time enrolment at both the undergraduate and graduate levels. The Ministry is now supporting the University Data Consultation Working Group, which is expected to help inform future directions on how this information can be used to measure employment and further education outcomes for university graduates.

Committee Recommendation	Status Details
Recommendation 5 The Ministry of Training, Colleges and Universities make data on graduate employment outcomes at the program and university level publicly available to assist students in making informed decisions on university and program selection. **Status: Fully implemented.**	**Ontario University Graduate Survey** In February 2015, the Ministry published additional graduate employment outcomes data from the Ontario University Graduate Survey conducted in spring 2014. The Ministry published new indicators with accompanying results and additional information not publicly available in prior years. New indicators and accompanying results published included: • part- and full-time employment rates by university; • salaries for part- and full-time employment; • relatedness of graduates' work to both skills acquired and subjects studied (for part- and full-time employment); • percentage of graduates in unpaid internships; and • graduate occupations by the National Occupational Classification coding for graduates' outcomes. New information made available included: • question-by-question breakdown of responses to the survey; and • co-op and non-co-op graduate outcomes on employment status, full- or part-time employment, salary, and relatedness. In addition, the public website for all university key performance indicator data was changed in April 2015 to **www.ontario.ca/universityoutcomes** to simplify public searches and increase access to posted Ministry information. All employment data is as of six months after graduation. At the time of our follow-up, the latest graduate employment rates were for the 2012 graduating class, who had been surveyed in 2014/15.