

Chapter 1

Section 1.11

Ministry of the Environment, Conservation and Parks

Follow-Up on 2021 Value-for-Money Audit:

Ontario Clean Water Agency

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1		1			
Recommendation 2	3	1			2	
Recommendation 3	1			1		
Recommendation 4	3		3			
Recommendation 5	2		1	1		
Recommendation 6	1			1		
Recommendation 7	1	1				
Recommendation 8	1			1		
Recommendation 9	3		3			
Recommendation 10	4		2	2		
Recommendation 11	7	0	3	4		
Recommendation 12	1	1				
Recommendation 13	2	1	1			
Recommendation 14	3	2		1		
Recommendation 15	5			5		
Recommendation 16	1				1	
Recommendation 17	2	1	1			
Recommendation 18	2		2			
Recommendation 19	2			1	1	
Recommendation 20	1				1	
Recommendation 21	1		1			
Total	47	7	18	17	5	0
%	100	15	38	36	11	0

Overall Conclusion

The Ontario Clean Water Agency (OCWA) and the Ministry of the Environment, Conservation and Parks (Ministry), as of November 20, 2023, have fully implemented 15% of actions we recommended in our *2021 Annual Report*. An additional 38% of recommended actions were in the process of being implemented.

OCWA has fully implemented or has made progress on implementing recommendations such as creating the First Nations Advisory Circle and committing to implement any resulting recommendations by the advisory circle; working with all of its municipal clients who send their biosolids to landfills to implement new environmentally friendly initiatives focused on reducing greenhouse gas emissions through co-digestion or other related initiatives; identifying quantifiable outcome-based measures; referring municipalities to Infrastructure Ontario if they require financing for drinking-water and wastewater projects; inputting all testing schedules into its information system to alert operators of upcoming tests; and working with its clients to identify the installation dates of critical assets, so that the useful life of assets can be tracked and managed accordingly.

The Ministry has also fully implemented or has made progress on implementing recommendations such as reminding owners of drinking-water and wastewater systems to report to the Ministry in a timely manner when there is a change to the operators of their facilities; and proactively standardizing Environmental Compliance Approvals for all wastewater systems by including consistent definitions and testing requirements for bypasses, overflows and key wastewater contaminants.

However, OCWA and the Ministry have made little or no progress on 36% of the recommendations.

OCWA has made little progress on recommendations such as assessing the turnaround times taken to resolve adverse water-quality incidents and taking steps to expedite resolving such incidents; following up that owners take timely corrective action to address

the cause of overflows/bypasses and contaminant exceedances; working with clients to ensure that asset management plans are in place to address the risks associated with climate change; accounting for all regional and corporate overhead costs when setting contract prices; accurately assessing the condition of clients' assets before making cost projections; annually re-evaluating contracts that generate negative margins; and charging a greater margin on fixed-price contracts to account for the risk of increasing costs, or adding a contract clause to account for significant changes in costs.

The Ministry has also made little progress on publicly reporting all relevant details about bypasses, overflows and spills in a timely manner.

In addition, the Ministry will not be implementing three of our recommendations, including to require operators-in-charge to hold a licence or certificate of the same class as, or higher than, the class of the facility they are overseeing, and to require facility operators to perform regular CPIC checks on employees that have access to critical assets and IT systems. We continue to believe these recommendations should be implemented.

The status of actions taken on each of our recommendations is described in this report.

Background

The Ontario Clean Water Agency (OCWA) is a Crown agency that provides drinking-water and wastewater treatment services to an estimated 4.5 million Ontarians. Though it reports to the Ministry of the Environment, Conservation and Parks (Ministry), the agency receives no transfer payments from the government. It acquires contracts in competition with private-sector organizations and, at the time of our follow-up, it had 147 agreements with municipalities to operate and maintain drinking-water and wastewater facilities (about 200 agreements in 2020). In 2022, it generated \$261 million in revenues (\$223 million in 2020), with \$7 million in net income (\$10 million in 2020),

employed about 930 people (almost 900 people at the time of our audit), and operated 27% (same in 2020) of municipal drinking-water systems in the province.

Our audit found that compared to private operators, OCWA did well in treating drinking water compared to private operators and municipally run facilities. It had fewer contaminant exceedances than facilities operated by other operators and resolved any exceedances quickly. When it came to wastewater, OCWA reported fewer bypasses and overflows of untreated sewage per facility than private operators and municipally run facilities. However, OCWA-operated municipal residential drinking-water systems did experience more boil water advisories on average than other operators.

We found that OCWA could have done more to support First Nation communities (some of which had been under boil water advisories for years). We also saw there was opportunity for OCWA to reduce the amount of biosolids being sent to landfills, and to prepare its clients for the impacts of climate change.

Some of our significant findings were:

- Seed funding provided by the Province was no longer needed to sustain OCWA's operations. In 2003, OCWA made a \$120-million loan to the Ontario Infrastructure and Lands Corporation, using seed money it received from the Province to help it sustain its operations. Since OCWA had been generating a profit from its operations from 2015 to 2021, it no longer needed the interest income generated by the loan to sustain its operations. This loan was due to mature in March 2023.
- OCWA had significant investment assets, but no plan to return generated funds to the Province. According to its strategic plan, OCWA planned to focus its efforts on growing its revenues from \$223 million in 2020 to \$303 million by 2026. As of December 31, 2020, OCWA had an accumulated surplus of \$233 million and \$75 million invested in bank balances, term deposits and other notes, but it did not transfer surplus funds to the Province. In our discussion

with the Ministry, we were told that it had no plans to request a stipend or profits from OCWA.

- OCWA assigned operational staff mostly based on historical numbers, and no workload measures were in place to assess the effectiveness and efficiency of staff. OCWA's regional staffing allocation in 2020 had significant discrepancies in the number of staff assigned per facility in each region. For example, OCWA managed five facilities in the South Peel region, and had assigned 178 staff at a ratio of over 35 staff per facility. Six other regions, however, had a ratio of less than one staff per facility.
- Bypasses, overflows and spills occurring at OCWA-operated wastewater facilities were reported to the Ministry as required, but the Ministry's spills database lacked key details such as the start and end times of each event, the name of the facility where the spill occurred, the volume of the spill, the environmental impact caused by the spill, and detailed information on its cause.
- OCWA managed assets, including planning and preventative maintenance, without complete information on the age, criticality or performance of those assets. As of July 2021, 71% of the assets in OCWA's asset management system were missing an installation date, 42% were missing cost information such as purchase price or replacement cost, and no performance data was available for any of the assets. OCWA relied on local operational staff to identify major repairs.
- OCWA's electronic monitoring system was not able to identify adverse test results. OCWA's Process Data Management system stored test results from its regular testing of drinking-water and wastewater samples, but not the allowable limits for tested contaminants. Because of this, the system could not flag adverse test results. Similarly, because the system did not store the maximum amount of water a drinking-water treatment facility was permitted to take from

a water source, it could not flag when a facility had exceeded its maximum water intake. Instead, OCWA relied on facility operators and labs to manually identify issues and report any exceedances noted.

We made 21 recommendations, consisting of 47 action items, to address our audit findings. We received commitment from OCWA and the Ministry that they would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2023 and July 2023. We obtained written representation from the Ontario Clean Water Agency (OCWA) and the Ministry of the Environment, Conservation and Parks that effective November 20, 2023, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Mandate

Recommendation 1

In order to clarify the role of the Ontario Clean Water Agency, we recommend the Ministry of the Environment, Conservation and Parks assess whether the agency's goals should focus on revenue and income growth or on providing cost-effective drinking-water and wastewater services to clients who need these services.

Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that OCWA's role in Ontario's water and wastewater services was unclear. OCWA's original mandate was "to provide reliable and cost-effective water and wastewater services on a cost-recovery

basis." In 2010, the "cost-recovery basis" was dropped from its mandate to allow OCWA to earn a profit on its contracts and to play a role in making Ontario an innovation hub for all things water. In April 2016, an external consultant's review concluded that OCWA's mandate and its core business was not aligned with the goals and priorities of the Province. At the time of our audit, the Ministry told us that providing drinking-water and wastewater treatment was OCWA's priority. However, OCWA approached the Ministry with plans for putting greater emphasis on loan financing and revenue growth. Through the approval of OCWA's 2020 business plan, the Ministry supported OCWA's approach toward revenue growth.

During our follow-up, we found that the Ministry was still in discussions with OCWA to ensure the agency considers balancing the needs of revenue growth and providing cost-effective water/wastewater services. OCWA continues to service First Nations, rural, and northern communities that generate minimal profit or modest losses because these clients are often overlooked by private-sector competitors.

In June 2023, the Ministry commenced a third-party-led mandate review for OCWA as required under the Agencies and Appointments Directive. Among other things, the review will look at:

- whether the provincial agency is carrying out the activities and operations that represent its mandate;
- whether, and the extent to which, the mandate continues to be relevant to the goals and priorities of the Government of Ontario; and
- whether all or part of the functions of the provincial agency are best performed by the provincial agency, or whether they might be better performed by a ministry, another provincial agency or another entity.

The Ministry told us it would like to see the outcome of this review before implementing anything related to our recommendation. It expects the mandate review to be completed by December 2023.

Recommendation 2

In order to improve the quality of water on First Nations and make it safe for human consumption, we recommend that the Ontario Clean Water Agency work with the Ministry of the Environment, Conservation and Parks and the federal government through the Ontario First Nations Technical Services Corporation to:

- *create the First Nations Advisory Circle and implement any resulting recommendations by the advisory circle;*

Status: Fully implemented.

Details

Our 2021 audit found that OCWA planned to create a First Nations Advisory Circle of five to seven members to act as an advisory body in which participating First Nations would share their knowledge and unique experiences on how the agency could enhance its partnerships with First Nation communities and better support their drinking-water and wastewater treatment needs and concerns. The goal was to have the advisory circle in place by September 2021.

In our follow-up, we found that in December 2021, OCWA established a First Nations Advisory Circle to gain a greater understanding of the broader water issues facing First Nation communities from an Indigenous perspective. The First Nations Advisory Circle meets on a quarterly basis to discuss First Nation/OCWA issues, and has held five meetings since it was established.

According to OCWA, its Board of Directors will review any advice and recommendations from the First Nations Advisory Circle and approve it for management's implementation. No recommendations had been provided by the First Nations Advisory Circle at the time of our follow-up.

- *complete assessments of First Nation community water systems for the 26 First Nation communities with boil water advisories;*

- *provide training to First Nation operators once the water facilities' upgrades are completed.*

Status: Will not be implemented.

The Office of the Auditor General continues to support the implementation of this recommendation.

Details

Our 2021 audit found that there were 44 long-term water advisories active at 26 First Nation communities as of July 2021. Between 2018 and 2020, OCWA provided drinking-water-related services to two First Nation communities with six water advisories. These two clients remained on the boil water advisory list despite OCWA working to support or operate their drinking-water systems. According to the Ministry, OCWA is not responsible for eliminating boil water advisories, but instead is mandated to help improve drinking water for First Nation communities through training and operational support, as long as it receives payment for the services provided.

At the time of our follow-up, OCWA stated that as a self-funded entity, it was not in a position to complete the work identified in this recommendation, and would not be implementing these recommended actions. However, it would work with the First Nation Advisory Circle to identify how to most effectively support First Nations communities moving forward.

Drinking Water Testing, Reporting Adverse Results, and OCWA's Performance

Recommendation 3

In order to provide safe and reliable water services, we recommend that the Ontario Clean Water Agency assess the turnaround times taken to resolve adverse water-quality incidents and take steps to expedite the resolving of such incidents.

Status: Little or no progress.

Details

Our 2021 audit found that OCWA generally resolved chemical and microbiological exceedances in drinking water at municipal systems sooner than the average time it took for all operators. However, OCWA took longer to resolve exceedances in other contaminants compared to those operated directly by municipalities or private operators.

In our follow-up, we found that beginning monthly in June 2022, OCWA began collecting data on response times to resolve exceedances. At the time of our follow-up, OCWA was in the process of gathering and verifying the data it received. Once the dataset is complete and sufficient, OCWA will analyze response times to assess whether there are any opportunities for improvement. OCWA expects to begin this analysis in September 2023, and to look at each category of Adverse Water Quality Incidents to identify potential root causes and explore whether resolution times can be reduced. OCWA is planning to add “time to resolution” to the functionality of a new Health, Safety and Compliance system it plans to develop for the purpose of monitoring adverse water-quality incidents. This new system had not yet been put in place at the time of our follow-up.

Wastewater Testing, Performance and Environmental Impact

Recommendation 4

In order to collect comparable and reliable data on the quality of wastewater effluent, we recommend that the Ministry of the Environment, Conservation and Parks proactively standardize Environmental Compliance Approvals for all wastewater systems regardless of whether any amendments are made to the wastewater systems by:

- *including consistent definitions and testing requirements for bypasses and overflows;*
- *requiring test results be included in annual reports to the Ministry of the Environment, Conservation and Parks; and*

- *requiring operators to test key wastewater contaminants.*

Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that Environmental Compliance Approvals (Approvals) issued to each wastewater facility contained terminology and requirements for contaminant-discharge limits that varied significantly depending on whether they were issued before or after 2018, when the Ministry began using a new, standardized Approval template. We reviewed a sample of Approvals issued between 1978 and 2007, and found that they did not typically mention or define a bypass or overflow, so wastewater affected by either of these events was subject to different standards at different facilities. None of the Approvals required bypass or overflow (that is, partially treated or untreated) wastewater be tested before being discharged into the environment. In addition, some facilities’ Approval documents did not require an annual report be sent to the Ministry, and some did not require final effluent (discharged wastewater) be tested for E. coli. The Ministry told us that, as of September 2021, only about 20% of wastewater treatment plants had been issued the new, standardized Approval, and that it did not plan to update the terms of the older Approvals until system owners apply to amend their Environment Compliance Approvals.

In our follow-up, we found that the Ministry established a working group in early 2022, composed of municipalities, operating authorities and consultants, to review and provide feedback on the current standardized Environmental Compliance Approval (Approval) template for wastewater systems. This group provided over 300 comments on the template. Based on this review, the Ministry has begun drafting a new, standardized Approval template for wastewater systems. This draft currently incorporates:

- consistent definitions and testing requirements for bypasses and overflows;

- a requirement that test results be included in annual reports to the Ministry of the Environment, Conservation and Parks; and
- a requirement that operators test key wastewater contaminants.

The Ministry expects to finalize the updates to the template by March 2024, and to post a proposal on the Environmental Registry of Ontario for consultation by June 2024. Once the new Approval template is finalized, the Ministry plans to begin implementing it across all wastewater systems by December 2024.

Recommendation 5

In order to detect and/or prevent adverse wastewater events such as overflows, bypasses and contaminant exceedances, we recommend that the Ontario Clean Water Agency:

- *input all testing schedules into its information system to alert operators of upcoming tests;*

Status: In the process of being implemented by December 2024.

Details

During our 2021 audit, we reviewed data from 25 wastewater treatment facilities to see whether OCWA staff sampled their wastewater in accordance with the testing frequency established in each facility's Approval and whether each facility reported exceedances to the Ministry as required. We noted one wastewater treatment facility where OCWA staff sampled for total kjeldahl nitrogen (one of eight common contaminants noted in Approvals) only 29 times in calendar year 2020, instead of 52 times as required by its Approval. OCWA told us the error in testing frequency occurred because its staff had been using an old testing schedule with incorrect sampling dates.

In our follow-up, we found that in September 2022, OCWA held a sampling workshop and information-gathering session for all of its Safety Process and Compliance Managers, to help them gain a better understanding of current sampling practices, such as

who does what, what's working, what's not, logistical challenges and documentation. Also, in March 2023, OCWA held workshops in which its corporate asset management team and compliance and health and safety staff discussed best practices related to compliance, health and safety, and sampling. The goal of the workshops was to define standard tasks, job plans and sampling frequencies.

OCWA is planning to review feedback from the workshops and isolate the best practices, and to add specific sampling requirements into its asset management system by the end of 2024.

- *follow up that owners take timely corrective action to address the cause of overflows/bypasses and contaminant exceedances.*

Status: Little or no progress.

Details

Our 2021 audit found that, while OCWA recommended improvements to four wastewater facilities for which it operated both the collection and treatment systems, and that had reported more than 10 bypass or overflow events in 2019 and 2020, only two of the facilities had acted to address the recommendations. This raised concerns that, without corrective action, these facilities would continue to experience bypasses and overflows.

In our follow-up, OCWA informed us that it cannot direct facility owners to implement corrective action by a specific date because it is not a regulator. The final decision to implement corrective action lies with each owner. Instead, OCWA told us it plans to support clients in completing mitigation plans. In addition, the Ministry has placed conditions on owners of wastewater facilities that overflow to force them to conduct studies and identify actions to reduce or eliminate these events. Specifically, the Ministry has included these conditions in the new Consolidated Linear Infrastructure Environmental Compliance Approval (a document that combines all of a municipality's existing individual stormwater approvals into one Environmental Compliance Approval). We were told the Approval will

set specific due dates for the studies, and the actions resulting from these assessments will likely involve significant infrastructure upgrades that will take many years to implement. Because this is an ongoing initiative, completion will depend on the timeline specified in each client's individual Approval.

Recommendation 6

In order to support its municipal clients in addressing the risk of climate change and its impact on critical assets, we recommend that OCWA work with its clients to ensure that asset management plans are in place to address the risks of climate change.

Status: Little or no progress.

Details

Our 2021 audit found that OCWA's senior management acknowledged climate change as a key risk for the agency, and that one of OCWA's key initiatives on climate change is to work with clients to develop asset management plans with a stronger focus on climate change impacts on critical assets. We found that OCWA was in the process of developing asset management plans that address the risk of climate change for 14 clients, which was only 7% of the 201 clients that had operating and maintenance contracts with OCWA in 2020.

At the time of our follow-up, we found that OCWA had developed asset management plans addressing climate change impacts for only 15 of its 201 clients. OCWA told us that it only prepares asset management plans for those clients with whom it is contracted to do so, and not for all its operating and maintenance clients. Some clients choose to develop these asset management plans in-house or to contract this work to third-party consultants. OCWA can ask its clients to share copies of these plans with it, but clients are under no obligation to do so. According to section 5(1) under Ontario Regulation 588/17 of the *Infrastructure for Jobs Prosperity Act*, every municipality will need to

prepare an asset management plan for its core municipal infrastructure assets by July 1, 2024.

Recommendation 7

In order to support its municipal clients in meeting the 2030 goal of diverting organics away from landfills and reduce greenhouse gas emissions, we recommend that the Ontario Clean Water Agency work with all of its municipal clients who send their biosolids to landfills to implement the new environmentally friendly initiatives focusing on reduction of greenhouse gases through co-digestion or other related initiatives.

Status: Fully implemented.

Details

Our 2021 audit found that OCWA's top 20 wastewater treatment facilities sent about 4,000 tonnes of biosolids in solid form and 14,600 cubic metres of liquid biosolids to landfills in 2020. OCWA's mandate letter states that it should increase waste diversion by supporting the development and implementation of renewable energy centres that use wastewater and concentrated organic waste to generate biogas for productive use.

In our follow-up, we found OCWA advises clients that send biosolids to landfills on the benefits of environmentally friendly initiatives that reduce greenhouse gas emissions through co-digestion or other related initiatives. OCWA noted it will provide guidance to clients, but that municipalities, not OCWA, are the ultimate decision-making authorities on whether to proceed with the new initiatives.

OCWA has established a program and resources to support municipalities in diverting biosolids from landfill. OCWA has analyzed current biosolid management practices and initiated feasibility studies in biosolids management for five municipal clients in 2023, and has developed and delivered two webinar sessions per year for clients that focus on biosolid and resource recovery and waste diversion.

Reporting of Bypasses, Overflows and Spills

Recommendation 8

In order to inform the public about the details of bypasses, overflows and environmental spills, and to notify recreational water users of the risks of potentially contaminated waters, we recommend the Ministry of the Environment, Conservation and Parks publicly report all relevant details about bypasses, overflows and spills in a timely manner, including the start time and end time of the event, the name of the facility where the event occurred, the volume of the bypass, overflow or spill, the complete cause of the event, and the environmental impact caused by the event.

Status: Little or no progress.

Details

Our 2021 audit found that, although all spill reports submitted by OCWA were displayed on the Ministry's public Ontario Data Catalogue, a lot of key information was missing, such as the start and end times of each event, the name of the facility where the spill occurred, the volume of the spill, the environmental impact caused by the spill, and sufficient information on the cause.

In our follow-up, we found that in December 2022, the Ministry posted an updated Environmental Occurrences and Spills dataset to the Ontario Data Catalogue. However, the updated dataset included only the level of environmental impact caused by the event. It did not include start and end times of each event, the name of the facility where the event occurred, the volume of the bypass, overflow or spill, or the complete cause of the event. The Ministry indicated that, as part of its commitment to continuous improvement, it will consider additional data that can be gathered and released to the public and continue to explore internal processes to improve data quality.

IT Issues

Recommendation 9

In order to have all adverse results for both drinking-water and wastewater facilities identified and investigated in a timely manner by regional hubs, we recommend that the Ontario Clean Water Agency have:

- *regional hubs input all maximum concentration limits for testing parameters at both drinking-water and wastewater systems into the Process Data Management system;*

Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that OCWA's Process Data Management system, which stores the test results from its regular testing of drinking-water and wastewater samples, did not contain the maximum allowable concentration limits for substances tested during the treatment of either drinking water or wastewater. Therefore, the system could not flag exceedances in water-sampling test results, which was instead left to individual facility operators and regional compliance managers in OCWA's 11 regional hubs. It also did not permit central monitoring by the corporate compliance team, which operates out of OCWA's head office in Mississauga and is responsible for supporting overall compliance.

In our follow-up, we found that OCWA was reviewing each facility's Process Data Management system template to ensure that site-specific limits, as well as across-the-board limits, were accurate. This review included verifying and entering the site-specific maximum concentration limits for testing parameters at both drinking-water and wastewater systems. The timing of the rollout to the regional hubs has been based on readiness and availability of resources.

As of July 2023, site-specific limits had been verified and entered into the Process Data Management system for wastewater and drinking-water treatment sites in five regional hubs (Waterloo, Eastern, Kawartha Trent, Midwest, and Southwest); work was 50% complete in two additional hubs (Georgian Highlands and South Peel), and work was to begin in three other hubs (Northeastern, Essex and Northwestern). The remaining regional hub (Huron Elgin) has a single client that requested its own system be used for data collection instead of OCWA's Process Data Management system. OCWA reported that, as of July 2023, it was still on track to complete the rollout to all regional hubs by the end of 2023.

Also, an update to the Process Data Management software was completed that allows an alarm manager module to be activated. During our follow-up, OCWA was continuing to work on configuring alarm messaging alongside its work validating the site-specific testing maximum concentration limits. Once the configuration is complete, the system's alarm manager notification will be activated and an automatic email notification will be sent to the specified staff responsible for that facility if the system detects a test result that exceeds the maximum concentration limits.

- *regional hubs input all Permit to Take Water limits into the Process Data Management system;*

Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that the Process Data Management system does not contain the maximum amount of water a drinking-water treatment facility can take from a water source on a periodic basis. Therefore, the system could not flag exceedances in water intake volumes, which was instead left to individual facility operators and regional compliance managers.

In our follow-up, we found that as part of the rollout of the Process Data Management system update to each regional hub, OCWA was reviewing each facility's

Process Data Management template to ensure that site-specific limits, as well as the across-the-board limits, were accurate. This review included verifying the site-specific Permit to Take Water limits for each facility. The implementation schedule for verifying and entering site-specific Permit to Take Water limits for the regional hubs is the same as the implementation schedule reported in the first action item of **Recommendation 9**. OCWA expects to input all Permit to Take Water limits into the Process Data Management system by the end of 2023.

During our follow-up, OCWA was also continuing to work on configuring alarm messaging alongside its work validating the site-specific Permit to Take Water limits. Once the configuration is complete, the system's alarm manager notification will be activated and an automatic email notification will be sent to the specified staff responsible for that facility if the system detects a flow that exceeds the Permit to Take Water limit.

- *its corporate compliance team monitor the testing results to confirm adverse results are reported to the Ministry by regional hubs, verify that any adverse trends in test results are investigated, and take corrective actions when necessary.*

Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that the responsibility for testing, ongoing monitoring, and reporting adverse results to the Ministry remained solely with the regional hubs. The role of OCWA's corporate compliance team was to provide support and compliance tools to the regions and address systemic non-compliance issues across OCWA's facilities. The corporate compliance team received less reliable information on exceedances because its information did not come directly from the Process Data Management system, but rather from the regions. This made it more difficult for the corporate compliance team to monitor and address frequently occurring exceedances.

In our follow-up, we found that OCWA hired a consultant in October 2022 to help it define system requirements and procure a vendor to develop a proposed Health, Safety and Compliance system. Once complete, this system would allow the corporate compliance team to track adverse results at regional hubs, verify that the adverse trends are investigated, and take corrective actions if needed. OCWA plans to identify a list of system requirements through staff workshops, and incorporate it into the request for proposals process for selecting a vendor. The expected implementation date of the Health, Safety and Compliance solution project is December 2024.

Recommendation 10

To protect itself more effectively against the risk of cyberattacks, safeguard client assets and help ensure continuity of services with minimal disruption, we recommend that the Ontario Clean Water Agency test its cybersecurity systems annually or anytime there are changes made to critical systems, specifically by:

- *penetration testing its IT systems;*

Status: In the process of being implemented by December 2023.

Details

Our 2021 audit found that, although OCWA conducted a vulnerability assessment in November 2020, it has never performed a comprehensive cybersecurity scan, such as penetration testing, to further identify cybersecurity vulnerabilities. According to industry best practices, it is recommended that penetration tests be performed at least annually or anytime there is a major change made to information technology (IT) systems.

At the time of our follow-up, OCWA was in the process of interviewing vendors who will perform the penetration testing. OCWA expects that the penetration testing will be done by December 31, 2023, with a report of the results.

- *implementing a secondary disaster recovery site;*

Status: Little or no progress.

Details

Our 2021 audit found that, although OCWA's senior management acknowledged cyberattacks as a key risk to the agency, OCWA did not have a secondary data centre in the event that its primary data centre experiences a disaster. A secondary data centre is an alternate facility that is equipped with critical IT infrastructure components, such as servers, network equipment and software, to quickly restore business operations in the event that the primary data centre is unavailable.

In our follow-up, we found that OCWA has taken no action to implement a secondary disaster recovery site.

- *testing its disaster-recovery plan;*

Status: Little or no progress.

Details

Our 2021 audit found that OCWA had not tested its disaster-recovery plan since 2018 to assess its ability to recover its operations in the event of a disaster, such as a cyberattack or a power outage. According to industry best practice, organizations should perform a comprehensive disaster-recovery test at least once a year.

In our follow-up, we found that action on this recommendation was deferred due to OCWA's current business workload.

- *performing a threat risk assessment.*

Status: In the process of being implemented by June 2024.

Details

Our 2021 audit found that OCWA had not performed a threat risk assessment since 2018, despite major changes to its IT systems through its Business Transformation project (an IT project to improve business processes).

In our follow-up, we found that OCWA is planning to undertake this work by June 2024, once additional network upgrades that were underway during the time of our follow-up are completed.

Asset Management and Maintenance

Recommendation 11

In order to effectively manage the water and wastewater infrastructure for its clients and recommend timely replacements of related assets, we recommend that the Ontario Clean Water Agency (OCWA):

- *work with its clients to identify the installation dates of critical assets, so that the useful life of assets can be tracked and managed accordingly;*

Status: In the process of being implemented by June 2024.

Details

At the time of our audit, we noted that OCWA was operating almost 55,000 client assets consisting of water tanks, lagoons, sludge holding tanks, power generators, water filters and chlorine analyzers. These assets were listed in OCWA's asset management system. However, there was no known installation date for 71% of the assets. As a result, the age of the assets was unknown to both OCWA and its clients. The age of an asset, along with other factors such as criticality and performance, helps determine the right time to maintain, rehabilitate or replace an asset.

In our follow-up, we found that starting in 2022, OCWA staff were able to add assets' installation dates into the asset management system. As of June 2023, eight out of 11 regional hubs had entered installation dates for 21%-61% of their managed assets, depending on the regional hub. So far, the percentage of assets for which data was entered into the system for each hub was:

- Eastern: 61%
- Kawartha Trent: 59%
- Southwestern: 54%
- Midwest: 51%
- Northwestern: 34%
- Essex: 33%
- Georgian Highlands: 26%
- Northeastern: 21%

OCWA told us the completion date of this initiative depends on the availability of staff and information from clients, but it expects to populate the system with all critical asset data, including installation dates, from all regional hubs by June 30, 2024.

- *use failure data and repair data to drive preventative maintenance and asset management plans;*

Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that OCWA was not analyzing asset failure data. This made it difficult to measure the effectiveness of the preventative maintenance work.

Our follow-up found that in 2022, OCWA added functionality to its asset management system that would allow it to track the reasons why assets fail. OCWA created standardized failure codes for regional hub site staff to select from when an asset fails, in order to improve data consistency on the reason for asset failures. With the new, standardized database of asset failure codes, OCWA will have the ability to track the causes of asset failures and use that information in preparing preventative maintenance and asset management plans. The expected timeline for the full rollout of the database to its Operations group is December 2024.

- *develop key performance indicators for asset management that will allow OCWA to measure the effectiveness of preventative maintenance work orders;*

Status: Little no progress.

Details

Our 2021 audit found that OCWA followed the same routine preventative maintenance schedule for all client assets without considering the age, performance or condition of the assets.

Our follow-up found that OCWA has started to enter asset data—such as age (based on the installation date) and replacement cost—into the asset management system. OCWA indicated it will start developing key

performance indicators for assets once it has finished entering all data on all its client assets into the asset management system.

- *focus efforts on improving performance at sites with increasing number of corrective and emergency work orders;*

Status: In the process of being implemented by December 2025.

Details

Our 2021 audit found that, while emergency work orders and corrective actions were declining overall, they were increasing at some sites. Specifically, four out of five sites with the greatest number of reactive work orders (emergency, corrective maintenance or after-hour call-backs) in 2020 showed an increasing trend for these types of work orders. Moreover, we noted that OCWA had not investigated the reasons for the increase in reactive work orders at these four sites.

In our follow-up, we found that in March 2023, OCWA added dashboards in its asset management system to monitor the number of corrective and emergency work orders at a regional hub, cluster and site level. The dashboards allow OCWA operations staff to identify sites with a high number, or increasing trend, of corrective and emergency work orders. Also, at the start of 2023, OCWA established monthly and quarterly sessions with regional hub and senior operations staff to review the data trends from the dashboards at a cluster and site level. OCWA plans to fully implement this recommendation by December 2025.

- *track all preventative and corrective work orders against assets;*

Status: Little or no progress.

Details

Our 2021 audit found that there was no direct correlation between the assets OCWA recommended for replacement and the assets that had the most issues for the five sites we tested. This was mainly due to OCWA

not tracking all preventative and corrective work orders against assets listed in its asset management system.

In our follow-up, we found that OCWA's asset management system is only able to track preventative and corrective work orders at the asset level if an asset number is entered on the work order. However, OCWA staff indicated that not all work orders, specifically for preventative maintenance work, are associated with a specific asset. There is also no requirement in the asset management system to enter an asset number on a preventative work order. As a result, OCWA has not established any processes to ensure all preventative and corrective work orders are tracked against assets.

- *provide sufficient information to clients in annual recommendations included in Capital/ Major Maintenance Plans prepared for clients;*

Status: Little or no progress.

Details

During our 2021 audit, we reviewed OCWA's 2019 and 2020 Capital/Major Maintenance Plans for a sample of facilities to assess whether the plans provided sufficient information for the clients to make informed spending decisions. We found that some plans lacked a rationale for all the assets OCWA recommended for replacement in either of the two years. We also found some plans that provided some rationale, but no failure data on the asset being recommended for replacement, and only limited information on the age and condition of the asset.

In our follow-up, we found that OCWA has developed a new Capital/Major Maintenance Plan template document that includes additional fields to help identify a project's rationale, such as climatic changes; innovation; energy optimization; growth/development infrastructure planning and permitting; environmental compliance; and health and safety.

However, the template still lacked information such as the current age and condition of the asset, the number of times the asset has recently failed, the criticality of the

asset (how important it is to the operation of the plant), and the cost of replacement.

- *track the progress of these recommended replacements.*

Status: Little or no progress.

Details

Our 2021 audit found that only two of 10 OCWA-operated facilities we sampled were tracking whether the asset replacements OCWA recommended were approved by the client. We also noted that only two of the 10 OCWA-operated facilities we sampled were tracking the progress of the recommended items.

In our follow-up, OCWA indicated that the asset management system could be used to track the progress of all work orders for client assets it recommended for replacement. However, the tracking of this progress is not a required input of the system. OCWA told us that, in conjunction with future system upgrades, it would explore adding fields for capital work orders to indicate the owner's approval or deferral of capital recommendations.

Ministry Monitoring

Recommendation 12

In order to maintain and publicly report accurate information about the operators responsible for drinking-water and wastewater systems, we recommend that the Ministry of the Environment, Conservation and Parks annually remind owners to report to the Ministry in a timely manner when there is a change to the operators of their facilities.

Status: Fully Implemented.

Details

Our 2021 audit found that the Ministry's database did not correctly list OCWA as the operator of 15 drinking-water facilities it operated. The Ministry requires owners of drinking-water and wastewater treatment

systems to register their systems with the Ministry and keep operator profile information up to date.

In our follow-up, we found that in March 2023, the Ministry sent out a memo to all drinking-water and municipal wastewater system owners/operators reminding them to ensure that drinking-water and/or wastewater profile information is current, including operator information. The Ministry informed us that this would be done on an annual basis, and plans to send out the next reminder before the end of the 2023/24 fiscal year.

Internal Monitoring

Recommendation 13

In order to fully manage compliance with the regulation and guidelines, we recommend that the Ontario Clean Water Agency:

- *include exceedances, bypasses, Ministry inspection findings, and the findings of internal control inspections (by SAI Global) as part of its risk-based audit selection criteria for its new Integrated Systems Audits and Safety, Process and Compliance Audits;*

Status: Fully Implemented

Details

Our 2021 audit found that OCWA did not consider Ministry inspections, internal-control inspections (by an external provider, SAI Global), or exceedances and bypasses as part of the risk factors for selecting facilities for audit. Of 95 facilities selected for either an Integrated Systems Audit or Safety, Process and Compliance Audit in 2021:

- only four of the 10 facilities with the most exceedances in drinking water in the preceding two years were selected for audit;
- only one of the 10 facilities with the most bypasses/overflows over the preceding two years was selected for audit;

- only four of the 10 facilities with the most exceedances in wastewater in the preceding two years were selected for audit; and
- none of the facilities with compliance issues identified in SAI Global audits in the preceding two years were selected for audit.

In our follow-up, we found that in early 2022, OCWA updated the criteria it uses to select drinking-water and wastewater facilities for audit. The new selection criteria for Integrated Systems Audits and Safety, Process and Compliance Audits now includes facilities with an increased number of environmental incidents such as exceedances, bypasses and Ministry inspection findings.

With regard to considering the findings of internal control inspections when selecting facilities for Integrated Systems Audits and Safety, Process and Compliance Audits, OCWA stated that including SAI Global audit findings in the selection criteria is unnecessary and that its existing audit criteria is sufficient to flag a municipal residential drinking-water system that may be at higher risk of being out of compliance.

- *centrally track at the corporate level the findings from all internal audits and Ministry inspections and ensure that the regions are taking the necessary corrective actions on a timely basis.*

Status: In the process of being implemented by December 2024.

Details

Our 2021 audit found that, although OCWA's corporate compliance team records the issues noted in Ministry inspections, it does not track whether issues have been addressed. The corrective actions are each region's responsibility, but the regions do not report to the corporate compliance team on the status of issues noted during Ministry inspections.

In our follow-up, we found that on October 2022, OCWA hired a consulting firm to help define system requirements and procure a vendor to develop a

proposed Health, Safety and Compliance system.

OCWA plans to identify a list of system requirements through staff workshops, including tracking audit and inspection results centrally, and incorporate it into the request for proposals process for selecting a vendor. The planned implementation date of the Health, Safety and Compliance solution project is December 2024.

Measuring and Reporting on Performance

Recommendation 14

In order to effectively measure its performance and publicly report on it, we recommend that the Ontario Clean Water Agency:

- *identify quantifiable outcome-based measures;*
- Status: Fully implemented.**

Details

In our 2021 audit, we found that some of OCWA's performance measures were milestones rather than performance measures. Examples of milestones included establishing a First Nations Advisory Circle and developing an action plan by the end of the year; or developing a new community-based strategy for supporting the elimination of long-term boil water advisories. We also noted that some performance measures were activity-based rather than outcome-based, so they would not measure the actual impact or outcome of OCWA's efforts. For example, for a marketing campaign designed to discourage people from throwing garbage in the toilet, the target was set for 10 million media interactions or views by the public, with no plans to assess whether the campaign would result in less garbage entering the wastewater treatment facility.

In our follow-up, we found that quantifiable outcome-based measures were included in the 2022-24 and 2023-25 business plans. For example, in its 2022-24 business plan, OCWA added the strategic goal of maintaining safe, reliable water and wastewater

systems for clients along with associated outcome measures, such as:

- two or fewer OCWA-operated water systems receive inspection ratings below 90%;
 - more than 75% of OCWA-operated water systems receive 100% inspection ratings;
 - five or fewer OCWA-operated wastewater systems receive inspection reports with more than five non-compliance items; and
 - three or fewer wastewater facilities with less than 90% compliance for effluent limits.
- *set improving targets;*

Status: Little or no progress.

Details

Our 2021 audit found that OCWA often set future targets that were significantly worse than the performance achieved the year before. For example, with respect to health and safety measures, OCWA set a 2020 target rate of 1.6 recordable incidents of work injuries, when it performed better in each year from 2017 to 2019, and the worst rate achieved in any one of those years was 1.09. Similarly, OCWA set a 2020 target rate of 0.42 for lost-time injuries, when better (lower) rates were achieved in each year from 2017 to 2019, and the worst (highest) rate achieved in any of those years was 0.33.

In our follow-up, we found that for four key operational performance benchmarks, OCWA did not set improving performance targets in its 2023-25 business plan, despite exceeding those performance targets in 2021 and 2022 fiscal years.

- *report publicly on its core mandate of providing safe and reliable water and wastewater treatment services.*

Status: Fully implemented.

Details

Our 2021 audit found that OCWA only reported publicly on its goals of growing its business, improving productivity, and supporting its clients and employees,

but not on the quality of the treated drinking-water or wastewater treatment services it provides—its core mandate. Specifically, we found that OCWA had not developed performance measures for the quality of the drinking water or treated wastewater leaving the treatment facilities it operates. OCWA also did not report on exceedances in contaminants and adverse water-quality incidents for OCWA-operated drinking-water facilities as a whole, nor did it report on exceedances in contaminants and the number of bypass events, overflows and spills for OCWA-operated wastewater facilities as a whole. OCWA also did not report the average annual inspection rating Ministry inspectors assigned to OCWA-operated drinking-water facilities.

In our follow-up, we reviewed the 2022 OCWA annual report, and noted that it included performance benchmark targets and results on the following: water system inspections; adverse water-quality incidents; boil water advisories; wastewater system inspections; effluent limits; bypassing events; and operator licences.

Contract Management

Recommendation 15

In order to charge each client a reasonable and equitable gross margin and to avoid losing money on contracts, we recommend that the Ontario Clean Water Agency:

- *account for all regional and corporate overhead costs when setting contract prices;*

Status: Little or no progress.

Details

During our 2021 audit, we found that OCWA lost money in 2020 on 17 of its contracts with customers (for example, municipalities, industrial clients and institutions). In all of these cases, OCWA did not even recover its direct costs and allocation of regional costs. According to OCWA, the negative margins generated on some client contracts were caused by incorrectly budgeting for labour costs on some fixed-price contracts, where the extra costs could not be passed on to the client.

During our follow-up, OCWA staff told us that they had begun analyzing overhead costs from corporate and regional offices, and assessing how these costs are applied to client contracts. However, this work has been delayed due to significant changes in OCWA's finance leadership and team.

- *accurately assess the condition of the client's assets before making cost projections;*

Status: Little or no progress.

Details

Our 2021 audit found that the majority (76%) of OCWA's operational clients with negative margins in 2020 had a fixed annual contract. Based on a sample of fixed-price contracts with negative margins, we found that the reason behind the negative margins was additional labour, sampling, and chemical costs that could not be charged to the clients. OCWA makes cost projections as part of the bidding process for water/wastewater services based on its assessment of the condition of the client's assets. However, OCWA staff told us that they had not accurately assessed the condition of assets at these facilities.

During our follow-up, OCWA informed us that it attempts to assess the pre-existing condition of a potential client's assets by conducting site visits prior to making a cost projection as part of the bidding process for water/wastewater services. However, OCWA indicated that in many cases, it is unable to fully assess the condition of a potential client's assets because of limited time to conduct site visits, the short timelines to prepare a bid, or the high volume of assets to be assessed.

- *annually re-evaluate contracts that are generating negative margins;*

Status: Little or no progress.

Details

During our follow-up, OCWA informed us that it had investigated options to develop a standardized report to assess contract performance over time. OCWA also told us it requires certain data to be available from

its customer relationship management system and its finance system to create the standard reporting. This information is not readily available and requires significant manual efforts to obtain and analyze.

OCWA also informed us that preliminary discussions were under way to assess what information could be sourced from each system and how the report could best be generated. OCWA recognizes that upgrades are required to its financial system in order to generate a consistent report that can then be assessed. Work to upgrade the financial system will begin in 2024.

- *allocate all regional overheads to clients by year-end using a consistent allocation methodology;*

Status: Little or no progress.

Details

Our 2021 audit found that there was no policy at OCWA regarding the method of allocating regional overhead costs within the various regions. As a result, the application of regional overhead costs to client contracts was inconsistent. For example, the southern region allocated overhead costs based on actual labour hours, while the northern region allocated costs (for cost-plus contracts) in proportion to client revenue.

In our follow-up, we found that OCWA is still analyzing how to account for all regional and corporate overhead costs when setting contract prices (as detailed in the first action item of **Recommendation 15**). Once the policy and analysis are completed, OCWA will look to implement a consistent methodology for allocating costs.

- *for fixed contracts, either charge a greater margin to account for risk of increasing costs, or add in clauses to account for significant changes in costs.*

Status: Little or no progress.

Details

Our 2021 audit found that with a fixed-price contract, OCWA takes on the risk of cost increases beyond the inflation adjustment. More than 80% of OCWA's contracts are at a fixed price, where OCWA bears

additional risk relating to price increases above the consumer price index for inputs such as labour and the chemicals used to treat drinking water.

During our follow-up, OCWA informed us that it had completed a preliminary evaluation of fixed-price contracts in early 2023 and was planning to review contract language options with respect to establishing caps for certain commodities, such as chemicals. OCWA also told us that it created a working group in 2023 to review all contract templates and terms, and planned to ensure that future fixed-price contracts include:

- consumer price index changes as a billable cost when reconciled at year-end; and
- caps on costs for items with prices that are subject to variability and considered high risk.

OCWA said it would continue to review best practices in fixed-price contracts and will update contract language when able during renewals or during contract negotiations.

Use of Profits and Loans to Clients

Recommendation 16

When the loan to the Ontario Infrastructure and Lands Corporation matures in 2023, we recommend that the Ministry of the Environment, Conservation and Parks recover the \$120 million from the Ontario Clean Water Agency and work with OCWA on the future use of the funds for OCWA-related purposes.

Status: Will not be implemented.

The Office of the Auditor General continues to support the implementation of this recommendation.

Details

At the time of our audit, we found that OCWA had an accumulated surplus of \$233 million as of December 31, 2020. Some of this was generated by interest income earned on a \$120-million loan OCWA made to the Ontario Infrastructure and Lands Corporation (Infrastructure Ontario) using seed money it received from

the Province around the time it was created to help it sustain its operations. Before 2015, OCWA was generating losses from operations, and the interest earned on the seed money covered those losses. Since 2015, OCWA has been generating a profit from its operations, but has not been required to provide dividends to the Province.

In our follow-up, we found that this recommendation will not be implemented. When the \$120-million loan to Infrastructure Ontario came due on March 1, 2023, OCWA extended the loan for an additional 10 years. We were told that this decision was made after discussions between OCWA, the Ministry of the Environment, Conservation and Parks, the Ministry of Finance, the Ontario Financing Authority and Infrastructure Ontario. OCWA will continue to use the interest income from the loan to fund its objectives and government priorities as set out in the agency's mandate letter from the Minister. We noted that in each of the last two fiscal years, OCWA has continued to generate a profit, \$17.2 million in 2021 and \$7.3 million in 2022, but has not been required to provide dividends to the Province.

Recommendation 17

In order to maximize income from provincial assets and minimize the risk of loss from financing activities, we recommend that the Ontario Clean Water Agency:

- *develop a cash management plan and timeline for appropriate use of the funds or transfer its investment assets to the Province so that the funds can be invested centrally by an investment agency such as the Ontario Financing Authority;*

Status: In the process of being implemented by December 2023.

Details

At the end of 2020, OCWA had \$75.1 million invested in bank balances, term deposits and other notes. As the Province has a dedicated agency (Ontario Financing Authority) with a mandate to conduct borrowing and investments for the Province of Ontario, OCWA can

better focus its efforts on its core business of operating drinking-water and wastewater treatment facilities.

During our follow-up, we were informed that OCWA had developed a Long-Term Expenditure Plan and provided it to the Ministry of the Environment, Conservation and Parks in 2022. OCWA staff told us that the plan outlines the appropriate use of cash and funds, and does not include the transfer of assets to the Province. At the time of our follow-up, both the Chair of OCWA's Board of Directors and the Minister of the Environment, Conservation and Parks had approved an investment bylaw that would allow OCWA to invest its surplus funds with the Investment Management Corporation of Ontario (IMCO). We were also informed that the Minister of Finance approved the investment bylaw in mid November 2023, and that OCWA was planning to engage the IMCO beginning in December 2023.

- *refer municipalities to Infrastructure Ontario if they require financing for drinking-water and wastewater projects.*

Status: Fully implemented.

Details

Our 2021 audit found that OCWA is permitted, under the *Capital Investment Plan Act, 1993*, to provide loans to municipalities to build drinking-water and wastewater infrastructure. It was also directed to do so in a mandate letter sent by the Minister of the Environment, Conservation and Parks at that time. However, other government entities also provide loans to municipalities to build drinking-water and wastewater infrastructure. These include both the Ministry of Infrastructure and Infrastructure Ontario.

During our follow-up, OCWA informed us that it was referring municipalities to Infrastructure Ontario for any financing the municipalities require for their drinking-water and wastewater projects.

Staff-Related Matters

Recommendation 18

In order to ensure staff resources are used effectively and efficiently, we recommend that the Ontario Clean Water Agency:

- *develop and use workload measures to assess the effectiveness and efficiency of staff; and*
- *assess staffing allocations annually based on workload.*

Status: In the process of being implemented by December 2026.

Details

Our 2021 audit found significant differences in the number of full-time equivalent employees (FTEs) assigned per facility in each region. For example, for the regions we sampled during the audit, the average number of FTEs per facility ranged from 0.45 in the Northwestern region to 35.60 in South Peel. OCWA told us that it generally determined FTE count based on historical staffing levels and on the request for proposals submitted to the client. OCWA did not assess staffing levels based on workload, such as through work orders, and had no workload statistics to measure the efficiency and effectiveness of staff.

In our follow-up, we found that OCWA is in the very early stages of transforming its human resources processes and practices, and intends to develop a new Human Resource Information System as part of this transformation. In June 2022, it issued a request for pre-qualification to identify suppliers that would be suitable to invite to a subsequent request for bids to develop and implement this new information system. OCWA told us it expects to use this proposed new Human Resource Information System to electronically track its staffing metrics, and develop workload measures. It also expects to be able to integrate the new system with its asset management system to better allocate staff based on workload. OCWA does not expect to implement this project until December 2026.

Recommendation 19

In order to ensure that effective drinking-water and wastewater treatment services are provided by operators that hold licences appropriate for the facilities being operated, we recommend that the Ministry of the Environment, Conservation and Parks:

- *require operators-in-charge to hold a licence or certificate of the same class as, or higher than, the class of the facility they are overseeing;*

Status: Will not be implemented.

The Office of the Auditor General continues to support the implementation of this recommendation.

Details

Our 2021 audit found instances where the operator-in-charge of the facilities we tested held a lower-level licence or certificate than the level of the facility they were in charge of. According to O. Reg. 129/04 under the *Ontario Water Resources Act*, each drinking-water and wastewater facility must designate an overall responsible operator and an operator-in-charge. While only the overall responsible operator is required to have a licence or certificate that is the same level as or higher than the level of the facility, they are not required to be on site at all times. It is the operator-in-charge who is responsible for the day-to-day operations of a facility and typically works onsite given the nature of their responsibilities. During our audit, we found that the overall responsible operator visited most facilities we sampled less than five times during the month, and a few facilities we sampled were not visited at all. By comparison, we contacted three other jurisdictions in Canada (British Columbia, Manitoba, and Saskatchewan), and all three required that the operator responsible for day-to-day operations of the site have a licence at a level equal to or higher than that of the facility.

In our follow-up, we found that the Ministry conducted a comparative analysis of legislative frameworks and policies from other Canadian jurisdictions on equivalent roles to compare them with Ontario's overall responsible operator (ORO) and

operator-in-charge (OIC) roles. The Ministry's analysis found that other provinces, for which information was available, also did not require the equivalent to Ontario's OIC to be certified beyond a Class I or II licence or certificate. However, in the case of Manitoba, Saskatchewan and British Columbia, the equivalent to Ontario ORO was required to be on site regularly.

The Ministry informed us that it would not be implementing this recommendation.

- *clarify the expectations of the overall responsible operator, with respect to frequency and type of contact they should have with the facilities they are responsible for.*

Status : Little or no progress.

In our follow-up, we also found that the Ministry had updated its Guide to Overall Responsible Operator and Operator-in-Charge Roles and Responsibilities, in an attempt to provide further clarification on Ministry policy and expectations. However, these updates do not address our recommendations. With respect to the role of operator-in-charge, this person may still hold a certificate or licence of a lower class than that of the applicable system, and at a minimum a Class I certificate or licence. With respect to the role of overall responsible operator, this person may be physically present at the system or on-call offsite. Further, the frequency with which the overall responsible operator is to attend the system in person is to be determined by the owner or operating authority. Determinants of frequency would typically be based on factors such as the operational complexity of the system, the presence of remote-monitoring capabilities, and the system's age, maintenance and care requirements, etc. The updated guide was to be published on the Environmental Registry of Ontario and the Regulatory Registry for consultation; however, in July 2023 we were informed that the Ministry has put this process on hold.

Recommendation 20

In order to provide safe and reliable water to clients, we recommend that the Ministry of the Environment,

Conservation and Parks require Ontario operators of drinking-water and wastewater systems perform regular CPIC checks on employees that have access to critical assets and IT systems used for facility operations.

Status: Will not be implemented.

The Ministry of the Environment, Conservation and Parks has no plan to require Ontario operators of drinking-water and wastewater systems to perform regular CPIC checks on employees that have access to critical assets and IT systems used for facility operations. The Office of the Auditor General continues to believe that CPIC checks should be performed on these employees. Without a CPIC check, the risk of an individual with a criminal background having the ability to negatively impact water quality and human health increases.

Details

Our 2021 audit found that Ontario operators of water and wastewater treatment systems are not required to undergo Canadian Police Information Centre (CPIC) checks. These operators have access to drinking-water and wastewater systems that can have a significant impact on human health and the environment. CPIC checks on individuals with access to critical assets and IT systems would mitigate the risk of an individual with a criminal background having the ability to sabotage water quality and harm human health.

During our follow-up, the Ministry informed us that it continues to disagree with the recommendation to require CPIC checks for employees of drinking-water and wastewater facilities in Ontario. The Ministry's view is that system owners or operating authorities (that is, municipalities) are better able to assess risks and determine whether CPIC checks are required.

Vendors Used for Major IT Project Not Procured According to Government Procurement Directive

Recommendation 21

To ensure goods and services are purchased at a competitive price, we recommend that the Ontario Clean Water Agency follow the government procurement directive on

the type of competitive process required based on the type of service and amounts procured.

Status: In the process of being implemented by December 2023.

Details

In our 2021 audit, we found that OCWA had awarded a \$900,000 IT contract to a previously used vendor without undertaking a competitive procurement process. OCWA also extended another vendor's contract by \$720,000 without a competitive process. This is contrary to the government's procurement directive, which requires an open competitive process for contracts in excess of \$100,000.

In our follow-up, we found that OCWA had taken steps toward ensuring that the government procurement directive is followed. OCWA provided four procurement training sessions to approximately 100 employees in 2022. The training covered the Ontario Public Service Procurement Directive rules, OCWA's purchasing policy, using vendors of record, rules around vendor contracts, the process to request bids or get quotes, posting on Jaggaer (a vendor management system), approval authority levels, purchase order approvals, non-competitive procurements, and documentation requirements. We were informed that OCWA's procurement staff should routinely provide reminders to staff during procurement activities, such as preparing and issuing requests for bids.

OCWA told us its procurement department is involved in purchases that exceed the public-posting thresholds and must approve all purchase orders above \$25,000 so that it can document the procurement process that was followed. OCWA informed us that the procurement department was planning to audit some internal procurements from selected facilities in 2023, to assess whether they complied with the procurement directive and other related internal policies. However, these audits had not started as of the time of our follow-up.