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## CHAPTER FOUR

# Follow-up of Recommendations in the 1996 Annual Report

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Since 1993 it has been our practice to make specific recommendations for corrective action by ministries and agencies, and two years after publication of the recommendations in our *Annual Report* to follow up on the status of action taken. This chapter provides some background on the audits comprising the Value for Money Chapter of our *1996 Annual Report* as well as the current status of implementing the recommendations made. We are pleased that in many cases our recommendations have been either fully or substantially implemented. However, in several cases, progress has been slow or is ongoing. In cases where the recommendations have not been implemented, or are still in the process of implementation, a brief description of the current status of action taken by the ministries is provided.

## Ministry Of Agriculture, Food and Rural Affairs: Agriculture Division — 3.01

### BACKGROUND

The purpose of the Ministry's Agriculture Division is to foster competitive agriculture, help maintain the environment and support rural community development. This is accomplished through a network of field offices which provide for the transfer of information and technology to the rural and agricultural communities.

In 1996 we assessed whether resources were managed with due regard for economy and efficiency. We also assessed whether satisfactory procedures were in place for measuring and reporting on the effectiveness of service delivery.

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## CURRENT STATUS OF RECOMMENDATIONS

All of our 1996 recommendations have been substantially implemented by the Ministry. The recommendations related to the following matters:

- Field Office Locations;
- Field Office Staffing;
- Divisional Structure;
- Cost Recovery;
- Field Services Planning; and
- Performance Measurement and Reporting.

## Ministry of Agriculture, Food and Rural Affairs: Education, Research and Laboratory Services — 3.02

### BACKGROUND

The Education, Research and Laboratory Services Program of the Ministry of Agriculture, Food and Rural Affairs provides ongoing support to the agriculture and food industry. This support was provided through the Ministry's two laboratories and three directly operated colleges of agricultural technology and a contractual arrangement with the University of Guelph to provide agricultural research, agricultural diploma programs and funding for the Ontario Veterinary College.

Our 1996 audit assessed whether program resources were managed with due regard for economy and efficiency. We also assessed the adequacy of procedures used to measure and report on the effectiveness of the program.

### CURRENT STATUS OF RECOMMENDATIONS

In April 1997 the Ministry implemented an enhanced partnership with the University of Guelph. This agreement resulted in the transfer of the Ministry's three colleges and two laboratories to the University. The agreement also resulted in the merger of most of the Ministry's research programs with the University's research capabilities. This new agreement is designed to consolidate and streamline operations, place a cap on provincial costs and enhance revenue generating potential.

As a result of the enhanced partnership with the University of Guelph, the Ministry has taken significant action on all of the recommendations made in our 1996 report. Recommendations relating to the following areas have been substantially implemented: Agricultural Colleges;

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Clinical Education; Research Monitoring; Project Development; Research Funding; and Laboratory Revenue.

With respect to our other recommendation, the status of action taken is as follows:

## *PROJECT PROPOSALS*

### **Recommendation**

*To ensure that all research is economically justified, the Ministry should revise the requirements for project proposals to include a cost/benefit analysis of the research and an outline of how the results could be implemented if the research were successful.*

### **Current Status**

The Ministry acquired a computer assisted analysis program to be used as a screening tool for research projects to determine, among other factors, cost/benefit. However, the software has not been able to deliver as expected. The Ministry is continuing to evaluate this software. Project proposals now require researchers to provide, in a narrative form, the benefits expected to be derived from proposed projects, including milestones and technology transfer plans.

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## **Ministry of Community and Social Services: Capital Expenditures — 3.03**

### **BACKGROUND**

The capital expenditures of the Ministry of Community and Social Services consist primarily of capital grants to municipalities and transfer payment agencies for the renovation and construction of facilities used in the delivery of ministry programs. Typically, ministry funding accounts for 80% to 100% of a project's total costs. For the 1995/96 fiscal year, expenditures totalled \$16.2 million which increased slightly to \$20 million for the 1997/98 fiscal year.

Our 1996 audit objectives were to assess whether the Ministry's procedures for administering capital grants were adequate to ensure that: projects were funded only when necessary, and in accordance with established priorities; and the reasonableness of the amounts funded was determined.

We found that project documentation was insufficient to determine whether the projects funded were necessary. Project proposals did not identify or assess other alternatives which could have been considered to meet program needs more economically. Improvements were also required to ensure that: lower priority projects from one area were not funded ahead of other, higher priority projects from other areas; agencies did not fund capital projects from surplus or incremental ministry operating funds, thereby bypassing the capital expenditures planning and priority setting process; approval of grants was based on reasonable cost estimates; and the reasonableness of actual costs incurred was assessed.

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Effective April 1, 1998, the administration of capital expenditures was transferred from head office to the Ministry's twelve area offices. However, head office retains responsibility for communicating government and ministry capital expenditure priorities and consolidating area office capital submissions for review, approval and inclusion in the ministry estimates process.

## **CURRENT STATUS OF RECOMMENDATIONS**

The Ministry has taken some action on all of the recommendations made in 1996 and has substantially implemented recommendations relating to the following areas:

- Project Review and Approval;
- Funding by Established Priorities;
- Project Payments; and
- Legal Agreements.

However, with respect to our other recommendation, the status of the action taken is as follows:

### ***FUNDING APPROVALS***

#### **Recommendation**

*To ensure and demonstrate that approved funding is reasonable, the Ministry should:*

- *obtain detailed cost estimates for each project and place these on file; and*
- *document its review and assessment of the necessity for, and reasonableness of, the estimated costs to be incurred.*

#### **Current Status**

The Ministry has developed capital expenditure policies dated May 1997 that specify the need to obtain or prepare detailed cost estimates for each project. These cost estimates are to be included in a detailed business case before the proposal is put forward for consideration and approval.

In January 1998, the Ministry's Comprehensive Audit and Investigations Branch conducted a review of a sample of business cases and found that only 25% of the business cases reviewed contained the required detailed cost estimates.

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# Ministry of Community and Social Services: Provincial Allowances and Benefits Program — 3.04

## BACKGROUND

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The Provincial Allowances and Benefits program of the Ministry of Community and Social Services (commonly known as Family Benefits or FBA) provided financial assistance for prolonged periods of time primarily to individuals who were in need and were considered permanently unemployable as a result of a physical or mental disability or were support parents with dependent children. The program was administered by the Ministry under the authority of the *Family Benefits Act* and its Regulations. Program expenditures for 1995/96 totalled approximately \$3.4 billion.

Our 1996 audit assessed the adequacy of the Ministry's administrative procedures to ensure that legislative requirements and program policies and procedures were complied with and that the program was delivered with due regard for economy and efficiency.

We found that the Ministry's administrative procedures required significant strengthening to ensure that legislative requirements and program policies and procedures were complied with. We also found that compliance with then-current procedures required improvement to ensure that the program was delivered with due regard for economy and efficiency. As a result, we made a number of recommendations for improvement.

Since the time of our 1996 audit, the Ministry has replaced both the Family Benefits and the General Welfare Assistance (GWA) programs with the Ontario Works program and the Ontario Disability Support Program. To facilitate that transformation, the Ministry has initiated the Business Transformation Project (BTP), the main purpose of which is to develop new business processes and technologies to support the transformation of FBA and GWA into the Ontario Works program and the Ontario Disability Support Program. The BTP is expected to be implemented in the fiscal year 2000/01 and address many of the concerns noted in our 1996 report.

## CURRENT STATUS OF RECOMMENDATIONS

At the time of our follow-up work in early 1998, the Ministry had taken some action on all of the recommendations we made in 1996 and had substantially implemented recommendations relating to the following areas:

- Home Repairs; and
- Subrogation of Outstanding Legal Claims.

With respect to our other recommendations, the status of the actions taken in those areas is detailed below.

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We also noted that the Standing Committee on Public Accounts reviewed the audit observations identified in our 1996 audit of the Provincial Allowances and Benefits program and made two additional recommendations. The status of these recommendations is described in the appropriate sections below.

## ***ENHANCED VERIFICATION***

### **Recommendation**

*In order to ensure that only eligible individuals receive assistance and that assistance is in the correct amount, the Ministry should establish adequate procedures to ensure that all local offices complete the enhanced verification process for each file as required by ministry policy.*

### **Current Status**

Training has been provided to income maintenance supervisors on current casefile standards, including requirements for random file reviews and their monitoring. Under the new Business Transformation Project, the Ministry has pilot tested a new eligibility assessment process called the Consolidated Verification Process (CVP). The purpose of this new process is to streamline the current case review process by replacing enhanced verification as well as other processes with one consolidated approach to case review. Province-wide implementation is to be completed by the fall of 1998.

## ***MAIL OUT QUESTIONNAIRES***

### **Recommendation**

*In order to help ensure that correct amounts of assistance are paid to eligible recipients, the Ministry should monitor whether its local offices are complying with its requirements by:*

- *having Family Benefits recipients fill out and return, in alternating years, a questionnaire to update their files; and*
- *reviewing and assessing the information received from these questionnaires to determine the continued eligibility of each recipient and the appropriateness of the assistance being paid.*

### **Current Status**

The Ministry's new CVP requires random reviews of files by income maintenance supervisors to ensure that the required information is on file and appropriate action has been taken.

In addition, the CVP requires annual face-to-face interviews with clients. When the process is introduced across the province, it will eliminate the need for mail-out questionnaires.

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## FILE DOCUMENTATION

### Recommendation

*So that only eligible recipients receive Family Benefits and that the amounts of those Family Benefits are appropriate, the Ministry should ensure that all recipient files contain the information necessary to establish eligibility and the appropriate amounts to be paid.*

*Also, in order to reduce program expenditures, the Ministry should ensure that all recipients who are eligible for Canada Pension Plan disability benefits apply for them.*

### Current Status

As noted previously, the CVP will be replacing the enhanced verification process across the province. CVP identifies the process for ensuring that the provincial standards for minimum documentation that must be on each file to establish eligibility and ensure the appropriateness of amounts paid are met.

Part of the CVP process is verifying actual and potential sources of client income, including Canada Pension Plan payments.

In addition, extensive efforts are being made to automate file documentation verification. Information exchange agreements between the Ministry and several governments or agencies have been signed that will assist in automating and facilitating verification.

## BRING FORWARD NOTES

### Recommendation

*In order to ensure that required information missing from recipient files is followed up in a timely manner, the Ministry should remind its staff that:*

- *bring forward notes are to be prepared in all instances where required information is missing; and*
- *outstanding bring forward notes are to be followed up and cleared on a timely basis.*

### Current Status

The CVP includes the requirement for income maintenance supervisors to complete random reviews of files to ensure that required information is on file and appropriate action has been taken.

An internal review of a sample of files at three CVP pilot sites in January 1998 revealed instances of incomplete information in the files. However, many of these files had not been flagged for bring forward action. In addition, in some cases, files had been flagged for bring forward action from between three to six months after the CVP was completed.

We were advised by the Ministry that it continues to improve its automated systems, which will enhance bring forward note capabilities.

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## FILE REVIEW

### Recommendation

*To determine whether caseworkers perform their duties satisfactorily and maintain proper and up-to-date documentation, the Ministry should ensure that income maintenance supervisors review a representative sample of recipients' files for each caseworker and adequately and consistently document these reviews.*

### Current Status

The Ministry has recently implemented a training curriculum, which outlines performance expectations for income maintenance supervisors. One section deals with file reviews and stresses that the purpose of file reviews is to ensure that caseworker decisions are made appropriately and in accordance with legislation and that documentation is on file to support the decisions. As of February 1998, all income maintenance supervisors had been trained. However, according to an internal review at three pilot sites, there was no evidence at two of them that senior area office staff were monitoring the completion of file reviews.

## INFORMATION SHARING

### Recommendation

*The Ministry should complete and implement information-sharing agreements with other benefit providers and jurisdictions at the earliest possible point in time.*

In addition, the Public Accounts Committee acknowledged the work of the Ministry in this area and also urged continuation of the high priority that has been placed on these agreements.

### Current Status

Information sharing agreements have now been signed with the provincial governments of Manitoba, Saskatchewan, Nova Scotia and Alberta; the Ontario ministries of the Solicitor General and Correctional Services, and Transportation; and Citizenship and Immigration Canada and Human Resource Development Canada (for Employment Insurance). The Ministry is currently in the negotiations phase with British Columbia, Prince Edward Island, New Brunswick, Revenue Canada and the Canada Pension Plan.

## SPOUSAL AND CHILD SUPPORT

### Recommendation

*In order to promote compliance with its requirement that sole support parents actively pursue spousal and child support, the Ministry should ensure that caseworkers:*

- *adequately document the factors considered and verified in reaching a decision to waive spousal or child support; and*
- *periodically review their decisions to waive a sole support parent's obligation to seek spousal or child support.*

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## Current Status

The Ministry has provided training to various staff members on the legal aspects of child and family support, including the adequate documentation of waivers. The income maintenance supervisor core training also addresses file documentation requirements in this area including specific references to support waivers and reviews.

For the 1997/98 fiscal year, area offices were to submit reports to the Director of the Social Assistance Programs Branch addressing issues such as compliance with procedural guidelines for support waivers and documentation requirements. We were advised that, as of July 1998, all area offices had submitted the required reports. A summary report is to be released by the fall of 1998.

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## OVERPAYMENTS

### Recommendation

*The Ministry should improve its efforts to recover overpayments by ensuring that:*

- *caseworkers adequately document in the recipient's file both the reason for the overpayment and the calculation of its amount; and*
- *overpayments for which no repayment agreement has been reached or for which a payment is more than 60 days overdue are transferred to Central Collection Services on a timely basis.*

### Current Status

The Ministry had recently developed a directive for overpayments for the Ontario Disability Support Program, effective June 1, 1998. This directive states that overpayments must be calculated accurately, fully documented and recorded on file.

During the 1996/97 estimates process, the Ministry stated that it would privatize overpayment receivables for cases that have left the FBA program. However, the request for proposal pertaining to the ministry overpayment accounts was on hold pending decisions on the "Reasonable Efforts" issue. The release date of the request for proposal is unknown at this time.

## FRAUD PREVENTION AND DETECTION

### Recommendation

*The Ministry should be more pro-active in identifying cases at high risk of fraud and should investigate such cases before specific suspicious concerns are reported.*

### Current Status

The Ministry has increased the number of information sharing agreements that have been signed and implemented, to assist in verification of information provided by recipients. In addition, the Ministry's pilot project work on the Consolidated Verification Process has included and is fine-tuning high-risk indicators for their predictive values in identifying cases that may require more frequent reviews and cases at high risk for fraud and inaccuracies. The Ministry also plans to continue to follow up and receive calls on potential fraud cases through its Fraud

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Hotline. The Ministry has informed us that it has offered training programs on investigative and documentation skills to eligibility review officers in 1997/98.

## **STAFFING**

### **Recommendation**

*In light of changing program requirements, the Ministry should establish and adhere to reasonable workload standards to enable caseworkers to perform their work more satisfactorily.*

In addition, the Public Accounts Committee stated that:

*The Committee has found the Ministry to be less than forthright in responding to its requests for information on staffing and caseload management.*

*The Committee knows the Ministry has encountered difficulties in adopting policy and technological changes. However, the Committee should be provided with a full accounting of the ways in which the new social assistance system will respond to the Provincial Auditor's recommendations regarding the Provincial Allowances and Benefits program by September 1998. Lingered concerns should not become the subjects of yet another report.*

### **Current Status**

The Ministry has indicated that in the current economic climate, it is not considering significant increases in the number of staff, but it is looking at different models of service delivery and the benefits of technology through its Business Transformation Project. One of that project's objectives is to improve efficiencies through redesigned business processes supported by technology.

## **PERFORMANCE MEASUREMENT**

Although a specific recommendation was not provided in the 1996 audit with respect to overall monitoring and evaluating of program delivery, we have followed up on the Ministry's efforts to develop program monitoring and evaluation indicators.

The Ministry is currently reviewing and updating the *Social Assistance Monitoring Resource Guide* to reflect changes made as a result of the proclamation of new legislation. The Ministry has also drafted a manual on *Full Circle Monitoring and Policy and Program Development*. This manual provides a step-by-step approach to the monitoring process including the development of outcome indicators. We understand that it will be incorporated into the *Social Assistance Monitoring Resource Guide* when completed.

Through the business planning and accountability process, the Ministry identified six performance measures related to social assistance programs. These performance measures outline specific goals, what will be measured, the targets or standards to be achieved and the commitments for the 1998/99 fiscal year.

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# Ministry of Community and Social Services: Supportive Services — 3.05

## BACKGROUND

The Supportive Services program of the Ministry of Community and Social Services provides transfer payments under the *Developmental Services Act* and the *Child and Family Services Act* to approximately 350 community-based, non-profit agencies. These agencies deliver a number of services to developmentally disabled adults and children, such as life skills training, supported independent living programs, and social and recreational programs.

In our 1996 audit, we assessed the Ministry's procedures for ensuring that payments to transfer payment agencies were reasonable and satisfactorily controlled and for ensuring that the quality of services provided was monitored and assessed.

We found that the Ministry's administrative procedures did not adequately ensure that transfer payments to agencies were reasonable, or that services purchased were monitored to ensure that the Ministry was receiving value for money spent.

In addition, improved procedures were required to ensure that occupational standards for the level and quality of services provided were defined and subsequently monitored and assessed.

## CURRENT STATUS OF RECOMMENDATIONS

The Ministry has substantially implemented our recommendation relating to the following area:

- Annual Percentage Funding Decreases.

With respect to our other recommendations, the status of action taken in those areas is detailed below.

In addition, the Standing Committee on Public Accounts reviewed our 1996 audit report and made an additional recommendation. The status of the Committee's recommendation is included in the applicable section below.

## *BUDGET REQUESTS*

### **Recommendation**

*In order to help provide an appropriate basis for making funding decisions and to help ensure that actual expenditures are appropriate, the Ministry should ensure that all agencies include sufficiently detailed and accurate information in their program budget submissions and submit them for analysis on a timely basis.*

### **Current Status**

The Ministry has developed a detailed budget request package which indicates program-by-program cost analysis, revenue analysis and relevant service data.

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However, for four area offices reviewed by the Ministry's Comprehensive Audit and Investigations Branch, approximately 25% of 1997/98 budget submissions had not been finalized by October 31, 1997.

## **PROGRAM COST COMPARISONS**

### **Recommendation**

*In order to ensure that program funding is reasonable and consistent, the Ministry should analyze and compare the cost of similar programs across the province. Significant variances in cost should be explained and justified.*

### **Current Status**

A levels-of-support assessment tool is to be developed for establishing provincial benchmarks and funding ranges for individuals in residential support programs. Additional work needs to be undertaken to establish reasonable and consistent funding levels for non-accommodation programs.

During the 1997/98 fiscal year, the Ministry started to allocate some funding to area offices based on a revised funding formula, which took into account the population within an area and included an adjustment to promote more equitable distribution of resources across the province.

## **FUNDING CLASSIFICATION**

### **Recommendation**

*To ensure equitable treatment and consistent compliance with legislation, all group homes for the developmentally handicapped should be funded under the same legislation.*

### **Current Status**

The Ministry advised us that the *Homes for Retarded Persons Act* is less than adequate for funding and superintending purposes in the developmental services system. As a result, the Ministry is planning to establish a provincial policy on accommodation and support, develop a levels-of-support assessment tool, develop provincial standards for group, individual and associate living arrangements, and introduce individual support agreements.

In the meantime, group homes for the developmentally handicapped continue to be funded under both the *Homes for Retarded Persons Act* and the *Developmental Services Act*.

## **ANNUAL PROGRAM EXPENDITURE RECONCILIATIONS (APER)**

### **Recommendation**

*In order to improve the effectiveness of the expenditure reconciliation process in supporting funding decisions:*

- *the information submitted by agencies should be sufficiently detailed to permit the reconciliation of the program expenditures and approved budgets with the audited financial statements; and*

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- *the reconciliations should be reviewed and approved, and recoverable surpluses, if any, should be recovered on a timely basis by the Ministry.*

We also note that the Standing Committee on Public Accounts made the following recommendation:

*The Ministry should take the steps necessary to implement administrative and audit procedures, supported by qualified staff, to ensure financial accountability. With respect to APERs, when a surplus is to be recovered, procedures must begin no later than three months after the end of the fiscal year and be completed within six months of year-end.*

### **Current Status**

The Ministry's 1998/99 APERs guidelines specifies its expectations of agencies regarding the information to be included in the audited financial statements and the basis of their preparation. If these guidelines are followed, the Ministry will be able to reconcile program expenditures and approved budgets with the audited financial statements.

In January 1998, the Ministry's Comprehensive Audit and Investigations Branch reviewed the status of the surplus recovery process in three area offices. They found that approximately \$700,000 and \$1.6 million of surpluses were outstanding from the 1995/96 and 1996/97 fiscal years respectively. Therefore the process of identifying and recovering surplus is still not always timely.

## **ACCOUNTABILITY FRAMEWORK**

### **Recommendation**

*The Ministry should:*

- *strengthen its implementation of the Management Board Directive on Transfer Payment Accountability in order to hold the transfer payment agencies accountable for their management of public funds; and*
- *review the governance structure over agencies with a view to clarifying the boards of directors' responsibilities and their accountability for the appropriate use of funds.*

### **Current Status**

The Ministry plans to address the accountability issue with the introduction of the individual support agreement process which is to be implemented over the next three years. Individual support agreement implementation training is in progress.

Additional governance policy is currently being considered within the context of Management Board's draft Transfer Payment Accountability Directive and the proposed Public Sector Accountability Act.

## **PROGRAM PLACEMENTS FOR INDIVIDUALS**

### **Recommendation**

*In order to ensure that individuals receive cost-effective services, the Ministry should:*

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- *define appropriate levels of service to be provided to individuals; and*
  - *establish criteria for, and monitor, program admissions.*

### **Current Status**

Provincial policy on accommodation and levels of support is to be completed by November 1998, with resulting standards to be available by December 1998. When completed, the levels-of-support tool will also aid in defining appropriate levels of service to those individuals in accommodation programs.

Other agencies are to develop their own program placement policies, which are to be monitored by the Ministry through an annual agency status report. Status reports are to be available by July 1998.

## **QUALITY OF SERVICE**

### **Recommendation**

*In order to ensure that it is receiving value for the money spent, the Ministry should:*

- *establish acceptable standards of service and criteria for evaluating service quality; and*
- *on a periodic basis, evaluate the quality of the services provided.*

### **Current Status**

This issue was to be addressed within the Developmental Services Accountability Initiative, which has yet to be completed. The Ministry plans to develop standards of service in all major areas of developmental services with an expected implementation date of April 1999. A draft paper on *Standards for Service Providers who Support People with Challenging Behaviours* was prepared in June 1998 and is expected to be finalized in September 1998. Residential standards for community living supports are expected to be available by October 1998.

## **SPECIAL SERVICES AT HOME (SSAH): BACKGROUND**

This program is intended to provide direct financial support to disabled individuals living at home with their families and to families caring for disabled members who require services beyond the care normally provided by the family. The funding provided is to be used to purchase services which are not otherwise available in the community and which can be broadly described as addressing personal development and growth or family relief and support. Families enter into a renewable funding agreement with the Ministry for a period not to exceed one year.

We found that improvements were needed to strengthen the program's administrative procedures to ensure that: information provided by applicants is verified or assessed for program eligibility at the time of initial application and at agreement renewal; and the correlation between the amount of funding provided to individuals and the factors assessed in the funding decision is documented.

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## CURRENT STATUS OF RECOMMENDATIONS

The Ministry has substantially implemented our recommendations relating to the following area:

- Program Duplication.

With respect to our other recommendations, the status of actions taken in those areas is as follows:

### *PROGRAM ELIGIBILITY*

#### **Recommendation**

*In order to ensure and demonstrate that only eligible individuals receive support, the Ministry should:*

- *verify information provided by applicants;*
- *adequately document the assessment of each applicant's needs; and*
- *require recipients to report changes in their circumstances which could affect their eligibility.*

#### **Current Status**

The Ministry has developed a new draft Supportive Services at Home application form which is expected to be introduced to the area offices in September 1998. It requires verification of residency and includes standard forms to be used in the assessment of each applicant's needs. Additional work remains to be done to ensure that recipients report changes in their circumstances which could affect their eligibility.

### *FUNDING APPROVAL*

#### **Recommendation**

*In order to ensure that funding decisions are equitable, the Ministry should:*

- *clearly document both its assessment of the factors considered in the funding decision and the basis for the individual funding levels approved; and*
- *ensure that individuals with similar needs receive similar levels of funding within and between area offices as is required by the program.*

#### **Current Status**

Individual area offices had developed forms for use in assessing the factors considered in funding decisions and demonstrating the basis for the individual funding levels approved. The Ministry has informed us that head office is planning to develop standard forms for use across the province.

Area offices are expected to implement requirements to ensure that reapplications receive the same priority as new applications and that funding will be time-limited as originally intended. An internal review by the Ministry's Comprehensive Audit and Investigations Branch in January 1998 found that this requirement had been implemented in two of four offices reviewed.

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## ADMINISTRATION FEES

### Recommendation

*The Ministry should maximize the cost effectiveness of the program by making every attempt to limit administration fees to the 5% to 10% funding range noted in the draft Procedures Manual.*

### Current Status

The Ministry is preparing an overall corporate policy dealing with the cost of administration. According to the Ministry, the long-term target for administration costs is 10% of program funding. In the interim the cap will be set at 12% for 1998/99, decreasing to 11% in 1999/2000 and finally set at 10% in 2000/01. The savings recovered from lowering administration costs to meet the cap will be reinvested in direct services.

# Ministry of Education and Training: Colleges of Applied Arts and Technology — 3.07

## BACKGROUND

There are 25 publicly funded colleges of applied arts and technology in Ontario that provide programs to some 300 communities through 90 campuses located in 60 cities and towns throughout the province. Colleges offer a wide range of postsecondary programs leading to certificates or diplomas for students who have obtained secondary school diplomas or equivalents.

Under the *Ministry of Colleges and Universities Act*, the Minister of Education and Training has ultimate responsibility for the establishment, maintenance, conduct and governance of colleges. For each college, the Act provides for the establishment of a board of governors, which is a corporation with powers and duties under the *Corporations Act*, to govern its activities.

The Act established the Ontario Council of Regents for Colleges of Applied Arts and Technology as a provincial agency accountable to the Minister. The Council of Regents' primary roles are to: make appointments to each college's board of governors; act as the bargaining agent for colleges; recommend to the Minister the terms and conditions of employment for most college employees; and advise the Minister on long-term issues affecting colleges.

In 1996 our audit objective was to assess whether the Ministry had established an accountability framework for Ontario's colleges that included satisfactory systems and procedures to:

- measure and report on effectiveness in achieving legislated and stated goals and objectives for the colleges;

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- ensure that colleges deliver quality postsecondary programs economically, efficiently and in compliance with the *Ministry of Colleges and Universities Act*; and
  - monitor the financial condition of colleges and control payments made to colleges under the Act.

## CURRENT STATUS OF RECOMMENDATIONS

The Ministry had taken several significant actions to address our recommendations for strengthening the accountability framework for colleges. The status of these actions as of April 30, 1998 is set out below. If all system, process and reporting improvements are fully implemented as planned, the Ministry will have a much stronger accountability framework for colleges in Ontario.

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### MINISTRY GOALS AND FUNDING POLICIES

#### Recommendation

*To improve accountability for results by colleges, the Ministry should:*

- *establish clear, measurable goals for the college system in Ontario;*
- *develop the systems necessary to reliably track and report performance in achieving the goals;*
- *report publicly on its performance in achieving its planned goals and on the performance of the college sector;*
- *provide leadership to facilitate effective cooperation among colleges; and*
- *establish funding policies that are consistent with and contribute to the achievement of stated goals.*

#### Current Status

The Ministry had established two goals for the college system—excellence and accountability—together with five key performance indicators for measuring the outcomes of college programs and the achievement of system goals. Data collection, reporting and audit procedures were being developed in 1998 with the objective of publishing each college's results for 1998/99 in 1999/2000. System results will also be published with the Ministry's Business Plan at that time. Performance will begin to influence operating grants to colleges in 2000/01.

The Ministry was also supporting the implementation over five years of a college Common Information System which is intended to improve comparability among colleges and thereby permit further development of performance indicators, enhance the measurement of performance and provide more useful data for program and policy decisions. System implementation was beginning in several colleges in 1998.

The Ministry also provided us with several examples of initiatives underway to improve cooperation among colleges.

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## COLLEGE GOVERNANCE

### Recommendation

*To promote effective college governance, the Ministry, in conjunction with the Council of Regents and the Association of Colleges of Applied Arts and Technology of Ontario, where appropriate, should:*

- *pursue a more comprehensive legislative mandate for college boards of governors including specifications for conduct, powers, roles and responsibilities;*
- *provide guidance to college boards of governors regarding the performance information necessary to effectively discharge their oversight responsibilities including procedures for evaluating college presidents; and*
- *enforce the existing legislated requirement for ministry approval of the process used by a board of governors to review its president's performance.*

### Current Status

The Ministry expected that the Public Sector Accountability Act announced in the 1997 *Ontario Budget* would provide a comprehensive legislative framework for accountability in the public sector, including requirements for performance reporting against organizational objectives and plans. Colleges and their governing boards are expected to be included under this act when it is passed.

In 1997 the Council of Regents issued new Conflict of Interest Guidelines for Governors and a new Governance Nomination and Appointment/Reappointment Protocol for External Members that includes key responsibilities and characteristics of an effective board.

Recommendations for guidelines to assist college boards to review the performance of college presidents were being incorporated in a revised salary administration program that included a performance management process for presidents. This program was to be presented to the Minister for approval in the near future.

The Council of Regents had also prepared guidelines for the termination of a college president's contract. These were to be reviewed at a future meeting of the Council and then presented to the Minister for approval.

## PROGRAM RELEVANCE AND QUALITY PERFORMANCE MEASUREMENT AND REPORTING

We provided the Ministry with a number of detailed observations and recommendations to act on in order to enhance program relevance and quality and to improve public reporting on performance.

### Current Status

Significant actions taken to date by the Ministry include:

- focusing the five key performance indicators on measures of program relevance and quality—graduation rate; student satisfaction; graduate employment; graduate satisfaction; and employer satisfaction;

- 
- accelerating the development of program standards;
  - establishing a Strategic Program Investment Fund to support projects that rationalize and improve programs, the results of which were to be reported to the Ministry by June 30, 1998;
  - issuing improved reporting standards for colleges that reflect principles established by the Canadian Institute of Chartered Accountants and require more consistent reporting of budget and audited financial information; and
  - clarifying requirements for monitoring financial condition and obtaining approvals for deficits.

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# Ministry of Education and Training: Ontario Training and Adjustment Board — 3.08

## BACKGROUND

The Ontario Training and Adjustment Board (OTAB) was created by the *Ontario Training and Adjustment Board Act 1993* to coordinate and streamline Ontario's training and adjustment programs and make them more accessible to all Ontarians. Prior to OTAB's establishment, approximately 25 such programs were administered by five provincial ministries. OTAB was subject to broad policy direction from the Ministry of Education and Training.

In 1996 the objectives of our audit were to assess whether there were adequate systems and procedures:

- to measure and report on the extent to which key activities and programs meet legislated, strategic and program objectives; and
- to deliver training programs and services designed to meet labour market and participant needs economically, efficiently and in compliance with requirements.

On June 30, 1996, subsequent to the completion of our audit, the government wound up OTAB and transferred responsibility for management of the programs and policy work to a newly established Training Division of the Ministry.

## CURRENT STATUS OF RECOMMENDATIONS

Since 1996 the Ministry's Training Division had further streamlined the training and adjustment programs we examined. Some 14 programs that included Futures, Youth Employment Counselling Centres, Ontario Basic Skills and Literacy had been combined into a Workplace Preparation Program. This new program has two streams: Job Connect, delivered primarily by community colleges and community-based service agencies; and Literacy and Basic Skills, delivered primarily by colleges, school boards and community-based training agencies.

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Significant progress had been made on our recommendations with the design of the Workplace Preparation Program. Program guidelines for the new Job Connect stream were issued in April 1997 that addressed our recommendations in the following areas: Measuring and Reporting Performance; Funding and Contractual Arrangements with Delivery Agents; Monitoring Delivery Agents; and Standards for Training Services. Similar guidelines were issued in draft form in January 1998 for the Literacy and Basic Skills stream and are planned to become effective on April 1, 1999 once field testing has been completed.

With respect to other programs and recommendations, the status of actions taken in those areas is set out below:

## **COORDINATION OF PROGRAMS AND SERVICES**

### **Recommendation**

*In order to achieve better coordination of programs and services, the Ministry should:*

- *identify and eliminate areas of potential duplication in programs, services and administration between the province and the federal government; and*
- *request local boards, once established, to develop as quickly as possible the timetables and action plans needed to coordinate and streamline local training and adjustment programs and services.*

### **Current Status**

Negotiations for a new Canada-Ontario Labour Market Development Agreement were still at an early stage. The Ministry was continuing its negotiations with the federal government to eliminate areas of duplication in programs, services and administration between the province and the federal government. Therefore, opportunities to improve coordination and reduce duplication remain, particularly with services for youths.

The Ministry's Job Connect guidelines include a number of steps that delivery agents must take to ensure that local services are planned, coordinated and evaluated with local stakeholders and other service providers, including the federal government.

## **LABOUR MARKET INFORMATION BASE**

### **Recommendation**

*To facilitate effective planning and delivery of training programs and services, the Ministry and local boards, once established, should develop detailed action plans and timetables to obtain timely, reliable labour market information as soon as possible.*

### **Current Status**

As of April 30, 1998, twenty-four of 25 local boards had been established and local labour market profiles had been prepared for each established board. Six local boards had developed plans to address identified service needs in their areas. Most local boards had only recently begun their operations and so were still in the process of collecting reliable labour market information.

The Ministry had prepared resource guides to help local boards make use of labour market information and to undertake local labour market information research and surveys. The

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Ministry continues to develop and update local labour market information. The Ministry and Human Resources Development Canada continue to provide workshops for local boards' staff on environmental scanning, labour market information and local economic development issues.

## **APPRENTICESHIP PROGRAM ADMINISTRATION**

### **Recommendations**

Our recommendations dealing with Measuring and Reporting Performance; Funding and Contractual Arrangements with Delivery Agents; Monitoring Delivery Agents; and Standards for Training Services also applied to Apprenticeship Training, which had been undergoing reform consultations since 1996. Actions to address these recommendations were delayed pending the introduction of the new delivery model and legislation by late spring 1998.

We also recommended:

*In order to improve apprenticeship program administration and results, the Ministry should:*

- *obtain from the Ministry of Labour information on trades persons not maintaining certificates;*
- *consider upgrading the level of education and skills required for entry into the programs;*
- *record and track the reasons for withdrawals and promote best practices for timely intervention by delivery agent staff with problematic students; and*
- *improve the apprenticeship information system to ensure data integrity and easier access to information through greater integration of databases.*

### **Current Status**

A reporting system developed in conjunction with the Ministry of Labour to improve tracking of certificates for practising tradespersons started May 1, 1998. It is being piloted in the Niagara area and is focusing on the construction trades. Some success has already been realized by the six or seven cases reported by the Ministry of Labour that have helped ministry staff track and resolve various issues involving certification of tradespersons in the Niagara area.

The Minister announced the new apprenticeship legislation on June 25, 1998. The minimum age to sign an apprenticeship training agreement had been set in legislation at 16 years. Industry will set the minimum education levels for apprentices. An initiative named Evaluating Academic Readiness for Apprenticeship Training has been piloted and implemented for 10 trades. It will assess an applicant's readiness for apprenticeship training, reduce the incidence of early withdrawal, and identify and evaluate upgrading requirements for the skills of journeypersons. Work to expand the initiative during the 1998/99 fiscal year will include the completion of academic skills lists, diagnostic tests and learning materials for up to an additional 30 trades.

A database analysis and query package—COGNOS—has been purchased to facilitate access to management information for decision making. User training is under way. The Ministry is moving ahead with seeking appropriate approvals for integrating information systems and improving the efficiency and effectiveness of administration and client service during 1989/99 and 1999/2000.

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# Ministry of the Environment: Environmental Sciences and Standards Division — 3.09

## BACKGROUND

The Environmental Sciences and Standards Division is responsible for helping the Ministry fulfil its mandate of protecting the environment and human health by: assessing toxicological data to set standards for pollutants in the environment and providing expert advice about the environment to other ministry staff and to the public; monitoring air, water and soil to assess and report on the sources and extent of various pollutants in Ontario as well as monitoring and tracking the movement of hazardous waste materials; and developing programs and regulations to address environmental issues which pose significant risks to the province.

In 1996 we assessed whether the Ministry had satisfactory procedures in place to:

- measure and report on the performance of the Environmental Sciences and Standards Division in contributing to the effectiveness of the Ministry in protecting the environment and human health; and
- ensure that services provided by the Division were being delivered with due regard for economy and efficiency.

We recommended that the Ministry develop and update its standards for air pollutants on a timely basis. We also recommended that the Ministry improve its monitoring efforts in the areas of air, water and hazardous waste materials, and develop a more pro-active and systematic approach to managing ground water.

## CURRENT STATUS OF RECOMMENDATIONS

The Environmental Sciences and Standard Division has taken action on all the recommendations made in 1996. Recommendations relating to the following areas have been substantially implemented:

- Ambient air monitoring network;
- Data management; and
- Utilization of marine resources.

However, progress in implementing our recommendations in the following areas has been slow:

### Recommendation

*In order to safeguard the environment and human health, the Ministry should develop and update its air quality standards on a timely basis.*

### Current Status

In response to our recommendation in 1996, the Ministry indicated that it had developed “an aggressive three-year plan for setting standards through a number of mechanisms, including

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adoption from other jurisdictions, federal/provincial harmonization and partnership with interested stakeholders.” However, none of the 226 air standards identified in 1992 by Ministry scientists as “requiring substantial reduction and/or reassessment or further review” have been updated.

As of June 30, 1998, 10 proposed air standards have been posted on the Environmental Registry for public comment. The Ministry planned to propose another 15 air pollutant standards for consultation during the 1998/99 fiscal year.

## **HAZARDOUS WASTE MONITORING**

### **Recommendation**

*To allow for better monitoring and control of hazardous waste disposal, the Ministry should investigate ways to improve the use of the Hazardous Waste Information System. Registered generators not reporting disposal should be identified and the reasons for their not reporting should be obtained.*

### **Current Status**

The Ministry sent out a survey in 1996 to approximately 11,000 registered generators that had not reported any activities for three years to determine the reasons for their lack of reporting. About 3,000 of these registered generators responded to the survey, with over 800 requesting deletion of their registrations. However, the Ministry has not yet identified the reasons for the lack of reporting of hazardous waste disposal from the other 8,000 generators that did not respond to the survey. A list of inactive generators has been provided to regional offices for tracking and for targeting facilities for inspection activities.

## **GROUNDWATER PROTECTION**

### **Recommendation**

*The Ministry should develop a more pro-active and systematic approach in order to better manage ground water quantity; such an approach should include the updating of water well information system and aquifer maps to allow for better assessment of current groundwater use in the province and for timely remedial action.*

### **Current Status**

The backlog of water well records to be entered into the water well information system has now been cleared. However, the aquifer maps had not been updated.

### **Recommendation**

*The Ministry should monitor groundwater quality on a systematic basis to provide assurance of its safety for the environment and human health as well as to enable the Ministry to take prompt remedial action when necessary.*

### **Current Status**

In response to our recommendation, the Ministry indicated in 1996 that it had initiated a review of ground water management and protection in conjunction with a number of other ministries. The objective of the review was to develop an overall ground water management strategy

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based on a common set of management and protection principles and a clearer delineation of roles and responsibilities among provincial agencies, local/regional and non-government groups. As of June 1998, a ground water strategy had yet to be finalized.

## **Ministry of Finance: Corporations Tax — 3.10**

### **BACKGROUND**

All corporations with a permanent establishment in Ontario are subject to the *Corporations Tax Act*. Corporations tax has four main components—income tax, capital tax, premium tax and corporate minimum tax.

For the 1995/96 fiscal year, the province collected corporations tax totalling \$5.4 billion (net of refunds totalling \$509 million) comprising \$3.9 billion in income tax, \$949 million in capital tax, \$558 million in premium tax and \$22 million relating to the corporate minimum tax.

Our audit objective was to assess whether reasonable procedures were in place to ensure that the Ministry collected the proper amount of corporations tax in a timely manner and in accordance with statutory requirements.

### **CURRENT STATUS OF RECOMMENDATIONS**

Recommendations relating to the following areas have been substantially implemented:

- Penalties;
- Federal Assessments and Reassessments; and
- Interest Paid on Refunds.

The current status of the remaining recommendations is as follows:

#### ***REDUCING THE TAX GAP***

##### **Recommendation**

*The Ministry should conduct additional research into the areas contributing to the tax gap and focus its enforcement efforts in these areas in order to reduce the tax gap.*

##### **Current Status**

The Ministry is taking ongoing action to identify and to end unfair tax avoidance schemes used by corporations to avoid paying taxes. A major initiative in this regard was the passage of Bill 164, which received Royal Assent on December 18, 1997, and addresses a number of tax avoidance schemes.

Other initiatives are also underway with respect to reducing the tax gap. For example, the application of the General Anti-Avoidance Rules (GAAR) is a major initiative of both the federal and Ontario governments.

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## AUDIT COVERAGE

### SMALL CORPORATIONS

#### Recommendation

*To encourage compliance with legislative tax requirements by small corporations and to better detect and collect unpaid taxes owing to the province, the Ministry should:*

- *significantly increase its audit coverage of small corporations primarily through increased desk audits; and*
- *obtain annual audit coverage statistics and recovery rates by size of corporation and industry sector from Revenue Canada and use that information to assist in planning its audit strategies.*

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#### Current Status

The Ministry planned to fully implement the extended desk audit function during 1998/99 by hiring 33 additional staff between November 1996 and June 1997 as announced in the *1996 Ontario Budget*. However realization of the full benefits of the newly hired staff has been negatively affected by the higher than expected auditor turnover rate with its associated recruitment and training requirements. The Ministry remains hopeful that it can fill existing vacancies during 1998 and fully implement the extended desk audit function as originally intended.

In addition, the *1998 Ontario Budget* announced the government's intention to continue to hire more audit staff to maintain the integrity of the tax system, which will further improve the audit coverage of corporations.

The Ministry is receiving Revenue Canada's annual audit coverage statistics and recovery rates by size of corporation and industry sector and considers this information in planning its own audit strategies.

### REFERRALS TO SPECIAL INVESTIGATIONS

#### Recommendation

*To increase corporate tax revenues by discouraging tax evasion, the Ministry should ensure that suspected cases of willful tax evasion are referred to the Special Investigations Branch for possible prosecution.*

#### Current Status

Corporations Tax Branch and Special Investigations Branch have established a referral project with the objective of conducting a thorough review of the audit process and referral guidelines with a view to enhancing their effectiveness. A draft referral policy has been prepared which is currently under discussion. The Ministry intends to implement the referral policy during 1998/99.

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## SELECTION OF AUDITS

### Recommendation

*The Ministry should program its computer system to evaluate all returns against appropriate risk-based criteria and should conduct desk audits on the returns to identify additional taxes owing to the Ministry. Additionally, those returns presently awaiting desk audit should be dealt with before they become statute barred.*

### Current Status

User requirements have been completed and the business design of the Audit Risk-Based Point System was approved and signed off during March 1998. However, construction of the Audit Risk-Based Point System has been temporarily put on hold because of other priorities. The Ministry remains hopeful that the system can be completed during the current year.

Notwithstanding, staff are clearing returns awaiting desk audits on a priority basis.

# Ministry of Health: Alternate Payment Program — 3.11

## BACKGROUND

The primary method of paying physicians for providing medical services to their patients is on a fee-for-service basis through the Ontario Health Insurance Plan (OHIP). The Alternate Payment Program was first introduced in the late 1960s to fund health care providers for medical services which were seen as not being adequately addressed by fee-for-service payments.

The Ministry has negotiated agreements with health service providers such as physician groups, clinics and hospitals to fund the delivery of certain medical services on a non-fee-for-service basis. These agreements are authorized by the *Ministry of Health Act* and the *Health Insurance Act* and are collectively referred to as Alternate Payments.

In 1996 we assessed:

- the adequacy of the systems and procedures in place to administer agreements; and
- the adequacy of the procedures in place to measure and report on program effectiveness.

## CURRENT STATUS OF RECOMMENDATIONS

In its *1996-1997 Annual Report*, the Standing Committee on Public Accounts recommended that:

*The Ministry of Health should act on the principal issues raised by the Provincial Auditor. These are the need to set measurable service expectations, to develop data collection systems for both the clinical and non-clinical services provided under the agreements, and to perform timely reconciliations of the recipients'*

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*financial statements and service data to the funding provided. Responding to these issues will ensure that value is received for the funding provided.*

Recommendations relating to the following areas of our 1996 report have been substantially implemented: Single Service Medical Agreements; and Academic Hospital Agreements—Agreement Funding Components.

With respect to our other recommendations, the status of action taken in those areas is as follows:

## **ACADEMIC HOSPITAL AGREEMENTS**

### **ACCOUNTABILITY**

#### **Recommendation**

*The Ministry should link funding for clinical, research, educational and other activities directly to measurable performance targets.*

#### **Current Status**

Contracts that have clinical, research, and educational activities are reporting as per their contracts. The Ministry indicated that evaluation criteria should be developed during the current fiscal year through a joint effort of the Ministry and the Institute for Clinical Evaluative Sciences.

## **INFORMATION REPORTING REQUIREMENTS**

### **Recommendation**

*To enable the Ministry to properly evaluate the adequacy of resources committed to clinical, research and educational activities and gear the funding accordingly, the Ministry should:*

- *specify the level of detail to be provided by the recipients; and*
- *enforce the current reporting requirements.*

#### **Current Status**

Existing reporting requirements are being enforced. The Ministry has indicated that a broad evaluation protocol, which can be tailored to fit the needs and specifications of a particular contract, is being developed, and that an evaluation workshop will be held before the end of 1998.

## **DATA COLLECTION SYSTEMS**

### **Recommendations**

*For proper health care management and planning, the Ministry should ensure that data collection systems that will provide the necessary information are developed on a timely basis.*

*Physicians providing clinical services under alternate payment agreements should be required to continue providing information to OHIP until replacement systems are operational.*

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## **Current Status**

The recommendations have been partially implemented. However, full integration with the OHIP database as well as broader application to other large alternate payment plans has been deferred. These will be reconsidered as part of the evaluation anticipated to be conducted in the fall of 1998.

## ***PROGRAM EFFECTIVENESS AND EVALUATION***

### **Recommendation**

*To ensure that medical services are provided in an effective manner, the Ministry, in conjunction with the recipients, should develop:*

- *procedures and performance indicators to measure program effectiveness;*
- *a plan for conducting funding evaluations on existing single medical service agreements; and*
- *guidelines for evaluating and reporting on the services delivered by the recipients.*

### **Current Status**

Templates have been developed where annual Patient/Customer Service Assessment Reports are defined as deliverables. Also, templates for quarterly analyses of Shadow Billing Service Reporting have been developed and implemented. The Ministry is working with the Institute for Clinical Evaluative Sciences and the academic hospitals to develop an evaluation methodology and process for Alternate Payment Plans.

# **Ministry of Health: Assistive Device Services Activity — 3.12**

## **BACKGROUND**

The Assistive Device Services Activity consists of the Assistive Devices and Home Oxygen Programs and is administered by the Ministry's Assistive Devices Branch. The mission of the Activity is to facilitate the rehabilitation of Ontario residents who have long-term physical disabilities by providing financial assistance to purchase selected basic personalized assistive devices appropriate for the individual's needs and essential for independent living (for example, wheelchairs, hearing aids, incontinence supplies and home oxygen).

In 1996 we assessed whether the Ministry had adequate procedures in place:

- to measure and report on the effectiveness of the Activity;
- to approve, process and pay claims; and
- to ensure that resources were managed with due regard for economy and efficiency.

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## CURRENT STATUS OF RECOMMENDATIONS

Recommendations relating to the following areas of our 1996 report have been substantially implemented: Eligibility Criteria – Incontinence Supplies; and Tax Treatment of Grants.

With respect to our other recommendations, the status of actions taken in those areas is as follows:

### MANAGEMENT OF RESOURCES

#### CONSISTENCY IN ELIGIBILITY AND FUNDING

##### Recommendation

*To ensure consistency and fairness, the Ministry should review eligibility requirements and funding provided for each assistive device category.*

##### Current Status

The Ministry was negotiating a settlement with the Ontario Human Rights Commission so that the Assistive Device Services Activity will not require eligibility criteria that violate the *Ontario Human Rights Code*.

#### ELIGIBILITY CRITERIA – HOME OXYGEN

##### Recommendation

*To ensure that home oxygen is provided only to eligible individuals, the Ministry should:*

- *implement guidelines for conducting independent medical tests for determining eligibility; and*
- *assess whether the appeal process is operating effectively.*

##### Current Status

The Home Oxygen Program (HOP) has contracted with researchers to conduct an Independent Assessment Pilot Project. The project, using health professionals not associated with oxygen vendors, will develop and test a protocol for standardizing an oxygen assessment process to be used in the home. During the first phase, which was scheduled for completion in September 1998, researchers would measure medical stability for randomly selected HOP clients to determine whether they continue to meet HOP medical criteria for long-term oxygen therapy. The Ministry indicated that a second phase might be needed to determine whether individuals not meeting medical criteria would benefit from oxygen. The review of the HOP, including appeal process, is dependent on the outcome of the pilot project.

In its *1996-97 Annual Report*, the Standing Committee on Public Accounts recommended:

*The Committee should be provided with the results of the commissioned study as soon as they become available. The Ministry should appear before the Committee in October 1998 to discuss those results and how they will affect the home oxygen program.*

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## PRICING – HOME OXYGEN

### Recommendation

*To reduce oxygen expenditures, the Ministry should:*

- *review at the earliest opportunity the costs relating to oxygen concentrators and liquid oxygen; and*
- *consider more cost-effective alternatives before paying the liquid oxygen rate.*

### Current Status

A request for proposal has been issued to contract an external accounting firm to complete an independent costing audit of registered HOP vendors to determine the true cost of oxygen by September 1998.

In its *1996-97 Annual Report*, the Standing Committee on Public Accounts recommended that:

*The Ministry should appear before the Committee in October 1998 to report on how it will proceed with the acquisition of home oxygen services, in light of the Management Board Secretariat's May 16, 1997 confirmation that the acquisition of those services falls under the directive requiring competitive tendering. . . .*

*The Committee should be provided with the results of the independent audit of home oxygen costs and prices as soon as they become available. The Ministry should appear before the Committee in October 1998 to discuss those results and how they will affect the home oxygen program.*

## PRICING – BLOOD GLUCOSE TESTING STRIPS

### Recommendation

*In order to ensure that services are delivered in an economical manner, the Ministry should investigate the feasibility of consolidating the assistance programs for blood glucose testing strips.*

### Current Status

The Assistive Devices Program is undergoing a program review. The matter of consolidation of blood glucose testing strips is on hold pending decisions on the future direction of the Program.

# Ministry of Health: Drug Benefits Program — 3.13

## BACKGROUND

The Drug Benefits Program includes the Ontario Drug Benefit Program, the Trillium Drug Program and the Special Drugs Program which all operate under the *Ontario Drug Benefit Act*, the *Drug Interchangeability and Dispensing Fee Act* and the *Health Insurance Act*.

- The Ontario Drug Benefit Program provides many prescription drug products at no cost to Ontario seniors, social assistance recipients, individuals receiving home care services and individuals in homes for special care and long-term care facilities. Commencing in 1996, eligible individuals are required to make a copayment toward the cost of their prescription drugs.
- The Trillium Drug Program provides access to the Ontario Drug Benefit Program for people whose drug expenditures exceed a certain portion of their incomes.
- The Special Drugs Program provides funding to cover the costs of certain drugs used in the treatment of specific conditions.

The Ministry's Drug Programs Branch is responsible for administering the Drug Benefits Program. The mission of the Branch is to provide leadership in achieving optimal pharmaceutical services for the protection and improvement of the health status of the residents of Ontario.

In 1996 we assessed whether the Ministry had adequate procedures in place to:

- measure and report on the effectiveness of the Program;
- ensure compliance with legislation and assess whether its policies and procedures for the approval, processing and payment of claims were adequate and were being followed; and
- ensure that resources were managed with due regard for economy and efficiency.

## CURRENT STATUS OF RECOMMENDATIONS

Recommendations relating to the following areas of our 1996 report have been substantially implemented: Formulary Benefits—Generic Drugs, Pricing and Price Reductions; Nutrition Products—Coverage; and Scheduling of Inspections.

With respect to our other recommendations, the status of actions taken in those areas is as follows:

### *PERFORMANCE MONITORING AND EVALUATION*

#### **DRUG USE REVIEW**

##### **Recommendation**

*To promote the appropriate and economical prescribing of drugs, the Ministry should ensure that a drug use review program is established and take appropriate follow-up action where necessary.*

##### **Current Status**

Action to address this recommendation is in process. To encourage appropriate and cost-effective prescribing, the Ministry now has four voluntary prescribing guidelines, with others being developed. Linkages to prescribing guidelines will allow the Ministry to prospectively evaluate drug use.

The Ministry's Pilot for Appropriate Anti-Infective Community Therapy (PAACT) shows that voluntary adoption of the guidelines encourages cost-effective drug prescribing. For example,

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PAACT results indicated a 19.3% reduction in claims volume for all anti-infectives during a time period when the provincial reduction was only 8.5%.

## **COMPLIANCE WITH LEGISLATION, POLICIES AND PROCEDURES**

### **FORMULARY BENEFITS - DELISTING DRUGS FROM THE FORMULARY**

#### **Recommendation**

*To ensure that the Ontario Drug Benefit Program covers only drugs which are appropriate and cost effective, the Ministry should:*

- *develop criteria to determine which Formulary drugs should be retained, deleted or restricted; and*
- *regularly re-evaluate all drugs listed in the Formulary in accordance with the established criteria.*

#### **Current Status**

During drug submission reviews, the Drug Quality and Therapeutics Committee (DQTC) has evaluated and recommended that certain products be either removed from the list of benefits or that the reimbursement status be changed from general listing to limited use. This helps Drug Programs Branch staff ensure that only drugs that are appropriate and cost effective are reimbursed.

Manufacturers are informed of the DQTC's recommendations to change the reimbursement status and are given an opportunity to respond. An evaluation of the reimbursement status of several drug products is currently under review by the DQTC.

### **LIMITED USE DRUGS**

#### **Recommendations**

*To ensure that the cost to the Ontario Drug Benefit Program is minimized, the Ministry should pay for limited-use drugs only if they are prescribed for one of the Ontario Drug Benefit Program's specified conditions or circumstances.*

*In addition, the Health Network should be modified to eliminate "other" as an acceptable reason for use and reject claims for conditions and circumstances not covered.*

#### **Current Status**

Actions to address these recommendations are in process.

Management of listed benefits on the Formulary is being strengthened through an ongoing review of the limited use program. This will include ensuring that conditions for payment are met (for example, adding a written explanation from the doctor). The "other" criteria code is no longer accepted.

A number of other drugs will have their listings changed to limited-use with appropriate clinical criteria. Claims for reimbursement will be linked to the prescribing guidelines.

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Based on an audit of supporting documentation for the limited-use and nutrition product forms, the Ministry estimates that approximately 600 of the province's 2,500 pharmacies have complete documentation to support their Ontario Drug Benefit claims and will not receive recovery letters. The Ministry is discussing the recovery process for the remaining pharmacies with the Ontario Pharmacists' Association.

## **NUTRITION PRODUCTS - ELIGIBILITY**

### **Recommendation**

*To ensure that only eligible individuals who meet the specified medical requirements receive nutrition products through the Ontario Drug Benefit Program, the Ministry should monitor the claims for these products and take corrective action where necessary.*

### **Current Status**

Part of the ongoing review of the nutrition products program will be to recommend and implement initiatives that increase program accountability for eligibility and reimbursement.

## **NUTRITION PRODUCTS - PRICING**

### **Recommendation**

*To lower costs to the Ontario Drug Benefit Program, the Ministry should investigate the feasibility of paying the lowest price in each category of nutrition products where there are no identifiable therapeutic differences among different brands.*

### **Current Status**

Nutrition products have been the subject of an internal review and proposals on potential changes to the program are being considered.

## **DIABETIC TESTING AGENTS**

### **Recommendation**

*In order to decrease costs to the Ontario Drug Benefit Program, the Ministry should investigate the feasibility of reimbursing blood glucose test strips at the lowest price in that category.*

### **Current Status**

The Ministry is continuing to review the reimbursement model for blood glucose test strips. A draft options paper has been prepared for consideration.

## **INSPECTIONS**

### **CONDUCTING INSPECTIONS**

#### **Recommendation**

*To ensure that inspections are properly completed and that recoveries of incorrectly billed claims are made when appropriate, the Ministry should prepare and implement formal policies and procedures for conducting inspections.*

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In its *1996-97 Annual Report*, the Standing Committee on Public Accounts recommended that:

The Ministry has said that the Pharmaceutical Audit system should be fully implemented by September 30, 1997. The Committee should be provided with a detailed accounting of the ways in which the system will respond to the Provincial Auditor's recommendations regarding the inspection process, along with an analysis of the impact on inspection resources and potential changes in legislation.

### **Current Status**

Action to address this recommendation is still in process. The Ministry anticipates that the final draft of a policy and procedures manual, which will include the Pharmaceutical Audit System, will be completed for review and approval by management by the summer of 1998.

## **VERBAL PRESCRIPTIONS**

### **Recommendation**

*In order to identify potentially false billings, the Ministry should implement a procedure to verify, on a test basis, verbal prescriptions with patients and/or prescribers.*

### **Current Status**

The necessary enhancement of the Health Network was deferred to Phase II of the Pharmaceutical Audit System. Since the current contract with the Health Network service provider ends November 30, 1998, the timeframe for implementing Phase II is not known. A fact sheet describing general requirements for implementing this enhancement was completed. A document specifying the exact details necessary for implementation is being developed. In the meantime, the inspection unit verifies verbal prescriptions through physician and patient verification letters where false billings are suspected.

## **MANAGEMENT OF RESOURCES**

### **EVALUATION OF THE HEALTH NETWORK**

#### **Recommendation**

*To be in a position to make an appropriately informed decision about the future of the Health Network system, the Ministry should assess whether the intended benefits of the Health Network have been realized.*

Also, in its *1996-97 Annual Report*, the Standing Committee on Public Accounts recommended that:

The Ministry should provide the Committee with the results of its evaluation and performance review of the Health Network's service bureau contract by October 31, 1997. At the same time, the Committee should also be provided with the Ministry's justification for tendering or not tendering the contract when it expires in November 1997.

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**Current Status**

Our recommendation has not yet been fully implemented. The Ministry has indicated that a full evaluation had been delayed due to competing priorities such as the introduction of the Trillium Drug Program, copayments and the prorated deductible. Based on a preliminary evaluation of benefits realized through the Health Network, the Ministry reports success in a variety of areas:

- implementation of cost-sharing and the Trillium Drug Program, which targets coverage to low-income families;
- drug utilization review, such as identifying on-line potentially harmful drug-to-drug interactions. On average, pharmacists are alerted to 25,000 potentially serious interactions per month; and
- adjudication of claims on-line, which has improved the administration of the program, for example, by decreasing staff time required to process special claims.

**TRILLIUM DRUG PROGRAM****VERIFICATION OF INCOME****Recommendation**

*To ensure that only eligible persons benefit from the Trillium Drug Program, the Ministry should:*

- *verify selected applicants' incomes with Revenue Canada where necessary; and*
- *implement procedures to recover funds when appropriate.*

**Current Status**

A procedure to recover funds when required has been implemented with interest rates charged on overdue accounts based on rates set by the Ministry of Finance.

The Branch is in the process of developing computer system changes that would allow an audit of incomes reported to the Trillium Drug Program. Discussions are underway with Revenue Canada on accessing the necessary information.

**SPECIAL DRUGS PROGRAM****Recommendation**

*Since the Trillium Drug Program covers people with high drug costs relative to their incomes, the Ministry should consider whether the Special Drugs Program is needed in its present form and, if so, whether it is consistent with the Ontario Drug Benefit Program's objective of providing equitable protection.*

**Current Status**

The Branch is reviewing its programs on the basis of consistency and compatibility. Opportunities for using the Health Network are being explored to increase accountability and improve program efficiencies in the Special Drugs Program.

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# Ministry of Health: Independent Health Facilities — 3.14

## BACKGROUND

The *Independent Health Facilities Act* specifies the licensing, funding and quality assurance requirements of facilities providing medical procedures traditionally performed in public hospitals. These facilities function in a manner similar to hospital out-patient clinics.

The Act was originally intended to license ambulatory surgical centres performing procedures such as cataract surgery and abortions. However, subsequent amendments have broadened its licensing provisions to include facilities offering diagnostic services such as x-rays and ultrasound.

The Act provides the authority for conducting inspections of licensed independent health facilities and for assessing the quality of services delivered. The College of Physicians and Surgeons of Ontario has been assigned the responsibility for developing standards of practice and administering the quality assurance and assessment program.

In 1996 we assessed whether the Ministry had adequate procedures in place to:

- ensure compliance with the legislative requirements for the licensing, funding and monitoring of independent health facilities; and
- measure and report on the effectiveness of the Independent Health Facilities program.

## CURRENT STATUS OF RECOMMENDATIONS

Recommendations relating to the following areas of our 1996 report have been substantially implemented: Quality Assessment Process; Assessment Tracking Systems; and Timeliness of Assessments.

With respect to our other recommendations, the status of the actions taken is as follows:

### *FACILITY FUNDING*

#### **REASONABLENESS OF FACILITY FEES**

##### **Recommendation**

*To ensure the reasonableness of facility fees and any proposed thresholds, the Ministry should study the relationship between the volume of services provided and the costs of providing those services.*

#### **NON-LICENSED TECHNICAL SERVICES**

##### **Recommendation**

*To ensure that the quality of care provided to patients is adequate, the Ministry should develop specific criteria for determining which technical services and procedures should be licensed under the Independent Health Facilities Act (IHFA). These criteria should be*

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*used to review all technical services currently provided by physicians to determine which procedures should be subject to the quality assurance program of the College of Physicians and Surgeons.*

In its 1996-97 Annual Report, the Standing Committee on Public Accounts recommended that:

*Any expansion of the technical services and procedures licensed under the IHFA should use the criteria developed by the joint Ministry-College of Physicians and Surgeons committee.*

### **Current Status**

Criteria have been developed in consultation with the College of Physicians and Surgeons of Ontario, to assist the Ministry in analyzing which additional services should be included under the IHFA. Criteria address both utilization and quality assurance issues. These will be applied first to pulmonary function and cardiac tests that are currently excluded from the IHFA.

The Ministry has accepted the recommendations of the Physician Services Committee, established under the Ministry's agreement with the Ontario Medical Association, that the IHFA be extended to sleep studies testing based on utilization factors alone. Other areas will be selected for inclusion, taking into consideration matters such as the potential risk to patients, rapid utilization or cost expansion, and rapid change in technology or delivery methods.

### **EVALUATION OF ASSESSMENT RESULTS - ASSESSMENT METHODOLOGY**

#### **Recommendation**

*To minimize the risk of not detecting potentially serious health and safety issues, the Ministry should ensure that the sampling guidelines of the College of Physicians and Surgeons consider the time period covered by the assessment, the volume of services provided by the facility and the number of specialties practised at the facility. The justification for not following these guidelines should be documented.*

#### **Current Status**

The Ministry and the College of Physicians and Surgeons of Ontario have developed a new formula. This formula takes into account the number of services performed per week, the different services provided and establishes a maximum and minimum number of records for each licensed category that must be reviewed. Assessors are encouraged to review more charts than the maximum if they feel that the clinical quality of the service is in question.

The Ministry and the College of Physicians and Surgeons of Ontario are reviewing a methodology to test this formula to determine its appropriateness, practicality and usefulness.

### **EVALUATION OF ASSESSMENT RESULTS - CLARITY OF CONCLUSIONS**

#### **Recommendation**

*To enable the Ministry to take appropriate corrective action, the Ministry should work with the College of Physicians and Surgeons to ensure assessment reports contain consistently clear conclusions on whether the Clinical Practice Parameters and Facility Standards have been met.*

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## Current Status

The Ministry and the College of Physicians and Surgeons of Ontario continue to review ongoing processes and resolve operational issues. The Management Working Group examines questions arising from the Registrar's letters and assessment reports to ensure that conclusions are clear, and that the wording is consistent and precise in order to satisfy legal requirements and ensure that the Ministry's enforcement actions are effective. Other working groups are examining issues around information systems, budget and legal issues.

# Ministry of Health: Whitby Mental Health Centre — 3.15

## BACKGROUND

The Whitby Mental Health Centre is a psychiatric hospital operated by the Ministry of Health's Institutional Health and Community Services Group. The Centre's goal is to provide "assessment, consultation, treatment and rehabilitation to individuals suffering from serious mental illness, to achieve the earliest successful community reintegration at the most independent level."

The Centre's operations are governed primarily by the *Mental Health Act*, the *Mental Hospitals Act* and the *Consent to Treatment Act*.

In 1996 we assessed whether:

- the Centre's goal was clearly defined and whether performance was monitored and evaluated, and the results reported;
- mechanisms were in place to monitor whether applicable legislation, policies and procedures were being followed for the admission, treatment and discharge of patients; and
- resources were being managed with due regard for economy and efficiency.

## CURRENT STATUS OF RECOMMENDATIONS

Recommendations relating to the following areas of our 1996 report have been substantially implemented: Access to Centre Services; Evaluation of Patient Services; Consent to Treatment; and Patient Restraints.

With respect to our other recommendation, the status of the action taken is as follows:

### *ACCOMMODATION COPAYMENTS FROM PATIENTS*

#### **Recommendation**

*To comply with the Mental Hospitals Act and the Health Insurance Act, and to ensure equity with chronic and long-term care facilities, the Ministry should reconsider the decision to indefinitely postpone charging financially capable patients for their accommodation at provincial psychiatric hospitals.*

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In its *1996-1997 Annual Report*, the Standing Committee on Public Accounts also recommended:

The Ministry should charge financially capable patients a copayment for accommodation.

### **Current Status**

The Ministry has indicated that this recommendation has system-wide implications and would require implementation on a ministry-wide level. Also, recommendations from the Health Services Restructuring Committee and potential changes to the operational status of provincial psychiatric hospitals will have an impact on this policy decision.

## **4.00**

# **Ministry of Labour: Occupational Health and Safety Program — 3.16**

## **BACKGROUND**

The objective of the Occupational Health and Safety Program is to advance safe workplace practices in order to reduce workplace injuries, illnesses and fatalities. The Program operates under the authority of the *Occupational Health and Safety Act* and Regulations. The legislation covers most workplaces in Ontario, and the Ministry estimated that in 1995 about 300,000 workplaces and 4.6 million workers were covered by the Act.

We assessed whether the Ministry had adequate procedures in place to measure and report on program effectiveness and to administer and enforce the Act and Regulations economically and efficiently.

## **CURRENT STATUS OF RECOMMENDATIONS**

The Ministry has implemented or commenced action on all of the recommendations in our *1996 Annual Report*. Recommendations relating to the following areas have been substantially implemented.

- Measuring and Reporting on Effectiveness; and
- Administering and Enforcing the Act and Regulations: Timeliness of Regulation Development; and Enforcement—Prioritizing Workplace Inspections, Outstanding Orders, Monitoring Field Visits and Training for Inspectors.

With respect to our remaining recommendation, the status of action taken is as follows:

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## ENFORCEMENT - WORK REFUSALS

### Recommendation

*The Ministry should develop alternatives for dealing with work refusals to reduce the need for inspectors to investigate minor workplace health and safety hazards. Such alternatives could include a recommendation for revisions to the current legislation.*

### Current Status

In February 1997, the Ministry released a discussion paper on a review of the *Occupational Health and Safety Act*. The paper highlighted the concerns with the present two-stage work refusal process and asked for input on possible changes as well as how to reinforce and integrate the workers' right to refuse unsafe work into the internal responsibility system. Three specific questions were asked:

What changes, if any, are required to:

- make the right to refuse provisions easier to understand and apply;
- ensure the right to refuse plays an effective role in the internal responsibility system; and
- ensure the right to refuse is used responsibly by the workplace parties to prevent injuries and illness.

At the time of our follow-up, the Ministry was reviewing the public input and anticipated the Minister would consult with other Cabinet members regarding changes to the Act.

## Ontario Realty Corporation: Property Management Division — 3.17

### BACKGROUND

Established under the *Capital Investments Plan Act*, the mandate of the Ontario Realty Corporation (ORC) is to provide the Government of Ontario with financing and services related to real property. The largest division within ORC is the Property Management Division (PMD); it is responsible for management and accommodation for most of the Ontario government's 80,000 employees. Its portfolio consists of 5,200 buildings with total space of approximately 47 million square feet.

In our 1996 audit, we assessed whether the PMD had adequate procedures in place to ensure that the real property it was responsible for was being managed with due regard for economy and efficiency and that the governments real property assets were being adequately maintained.

We found that improvements were required in PMD's management information systems to provide management with information on a building-by-building basis, and to ensure the optimal utilization of accommodation across the government. As a result, we made a number of specific recommendations for improvement.

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## CURRENT STATUS OF RECOMMENDATIONS

ORC has taken some action on all of the recommendations made in our 1996 report. Overall, the transition to an independent service agency has been slower than expected, resulting in delays in issuing requests for proposals for Alternative Service Delivery and Information Systems.

We observed the ORC had substantially implemented the recommendations relating to the following areas:

- Accommodation Charge-Back System; and
- Acquisition of Contract Services—Change Orders on Construction Projects.

The status of the recommendations in the process of being implemented were as follows:

**4.00**

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### *PREVENTIVE MAINTENANCE*

#### **Recommendation**

*To ensure that real property assets are managed for maximum long-term economic advantage, the Property Management Division should monitor and analyze the long-term impact of reduced maintenance funding on repair and operating costs, tenant satisfaction and the service life of the buildings in its portfolio.*

#### **Current Status**

ORC has completed its identification of core buildings and has developed a portfolio plan for 61 communities. The core buildings were also addressed in ORC's capital repair plan which states that funds will be allocated to the buildings that will remain core buildings, in addition to health and safety issues being addressed in all buildings. One of ORC's key strategies was to build into service contracts with private sector service providers the requirement to develop long-term repair plans. ORC expects to have service providers in place by the spring of 1999; however, the Alternative Service Delivery initiatives have been stalled by union grievances.

### *INFORMATION FOR DECISION MAKING*

#### **MEASURING AND REPORTING ON PERFORMANCE**

#### **Recommendation**

*The Property Management Division should finalize, implement and monitor appropriate performance indicators and report on its success in contributing to the achievement of the Ontario Realty Corporations's overall business objectives.*

#### **Current Status**

While property management reports regularly to management and to ORC's board of directors on key performance measures, the implementation of the new software outlined below will improve the measuring and reporting of performance.

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## **NEED FOR AN INTEGRATED SYSTEM**

### **Recommendation**

*To facilitate the monitoring of financial and operating data on a building-by-building basis and to meet the long-term strategic information needs of management, the Property Management Division should implement an integrated management information system if the direct delivery of property management services continues to be part of its mandate.*

### **Current Status**

A new system was selected in March 1998, having an estimated cost of \$3.5 million. It is to be based on purchased software and is intended to be a fully integrated real estate and financial management system. The project is nearing completion of Phase 1 of three phases.

## **PROPERTY INFORMATION MANAGEMENT SYSTEM**

### **Recommendation**

*To ensure that information for decision makers is complete and up to date, the Property Management Division should formalize accountability for the verification of current data and the maintenance of complete and accurate information in the Property Management Information System.*

### **Current Status**

The purchased system will replace the Property Management Information System. Until this system is in place, ORC has implemented a number of stopgap measures to address the weaknesses noted in our report. The Charging for Accommodation initiative, whereby tenant ministries are charged for the accommodation they utilize, has been a driving force in ensuring that the data is complete and accurate. Ministries will not agree to pay for space they do not use.

# **Ontario Transportation Capital Corporation: Highway 407 Central Project — 3.18**

## **BACKGROUND**

Established under the *Capital Investments Plan Act*, the Ontario Transportation Capital Corporation (OTCC) has responsibility for implementing and managing the Highway 407 Central Project. Previous to the creation of the OTCC in 1994, the Ministry of Transportation was responsible for the Project. Highway 407 Central is a multi-lane, fully electronic toll highway extending 69 kilometres across the top of Metropolitan Toronto.

In our 1996 audit report, we assessed whether a fair and competitive selection process was followed and adequately documented in awarding the major Highway 407 contracts and whether there was due regard for economy and efficiency in the planning, development and implementation of the Highway 407 Central project

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Our recommendations dealt with areas which should be considered when future transportation projects of a similar nature are undertaken either by OTCC or the Ministry of Transportation. The recommendations covered the following areas: the minimum number of bidders required to ensure an adequate basis for decision making; the level of specific design criteria to be provided to bidders; the clarity of the request for proposal in conveying to bidders the Ministry's intentions and expectations; the treatment of project components that become unbundled; the benefits of value engineering to other road projects; and the level of warranty coverage.

## **CURRENT STATUS OF RECOMMENDATIONS**

Neither OTCC nor the Ministry of Transportation has undertaken any projects similar to the Highway 407 Central Project in size, nature or scope subsequent to the issuance of our 1996 report. Consequently, there was no opportunity to implement our recommendations.

**4.00**

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