MINISTRY OF COMMUNITY AND SOCIAL SERVICES

Community Accommodation Program

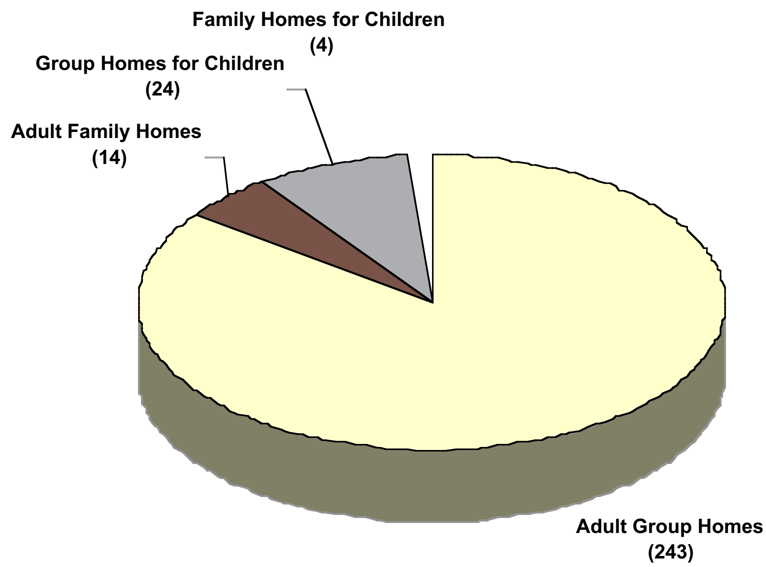
The Ministry of Community and Social Services' Community Accommodation program operates under the *Developmental Services Act,* the C*hild and Family Services Act* and the *Homes for Retarded Persons Act.* The program funds approximately 200 non-profit agencies that provide community-based, residential accommodation and support to adults and children with developmental disabilities. The services provided range from minimal supervision for individuals placed in relatively independent living arrangements to intensive 24-hour-a-day, seven-day-a-week care when considered necessary.

The agencies providing residential accommodation are governed by independent volunteer boards of directors that are accountable to the Ministry. The framework for that accountability is prescribed by the Management Board of Cabinet Directive on Transfer Payment Accountability.

Residential accommodation and related services are typically provided in group homes, which generally house three to six individuals, or by placements of one or two individuals with associate or host families.

For the 1998/99 fiscal year, operating expenditures for the Community Accommodation program were approximately $285 million, apportioned as indicated by the following chart. In addition, the Ministry approved one-time capital expenditures of about $15 million for its Community Living Initiative for that year.

Community Accommodation 1998/99
($ Millions)



Source: Ministry of Community and Social Services

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AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to assess whether the Ministry's procedures were adequate to ensure that:

- transfer payments to agencies were reasonable and satisfactorily controlled; and
- legislative requirements and program policies and procedures were being complied with.

The scope of our audit included a review and analysis of relevant ministry files and administrative procedures, as well as interviews with appropriate staff at the Ministry's head office and three area offices. We also visited a number of agency facilities and interviewed appropriate staff at these agencies.

Prior to the commencement of our audit fieldwork, we identified the audit criteria that would be used to conclude on our audit objectives. These were reviewed and agreed to by senior ministry management.

We conducted our audit during the period from November 1998 to March 1999. Our audit was performed in accordance with the standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Our audit also included a review of the audit reports issued by the Ministry's Comprehensive Audit and Investigations Branch. However, we were unable to reduce the extent of our audit work because the Branch had not issued any reports on the overall administration of the Community Accommodation program in the last two years, although it had conducted reviews of individual group homes, which we reviewed.

OVERALL AUDIT CONCLUSIONS

We concluded that the Ministry's procedures did not ensure that transfer payments to agencies were reasonable and satisfactorily controlled. More specifically, the Ministry needed:

- to fully implement the Management Board of Cabinet's Directive on Transfer Payment Accountability in order to demonstrate that transfer payment agency expenditures are managed prudently; and
- to establish the conditions necessary to allow it to rely on the governance of transfer payment agency boards of directors.

We also noted that the Ministry needed:

- to ensure that annual funding decisions are timely and based on a critical assessment of agency needs to ensure that the amounts approved are reasonable and commensurate with the services to be provided;
- to assess the necessity and reasonableness of operating and capital funding provided to transfer payment agencies under the Community Living Initiative;
- to identify, assess and, where necessary, follow up on significant variances between budgeted and actual expenditures and service data; and
- to ensure that Annual Program Expenditure Reconciliations and accompanying financial statements contain sufficiently detailed information to permit the Ministry to identify inappropriate or ineligible expenditures and to recover funding surpluses in a timely manner.

We concluded that ministry procedures to ensure compliance with legislative requirements and ministry program policies were not adequate. More specifically, the Ministry needed:

- to inspect and approve adult group and family home accommodations on a timely and consistent basis; and
- to ensure that serious occurrences are promptly reported and appropriately dealt with.

DETAILED AUDIT OBSERVATIONS

TRANSFER PAYMENT CONTROLS

TRANSFER PAYMENT AGENCY ACCOUNTABILITY AND GOVERNANCE

Transfer payment agencies are governed by independent, volunteer boards of directors and are not required to follow the administrative policies and procedures prescribed for the Ministry itself. However, because the funding they receive from the Ministry comes from taxpayers, the Ministry needs to hold them accountable for their use of public funds.

In our view, many of the concerns raised further on in this report, as well as many similar concerns cited in our previous reports of other ministry transfer payment programs, raise questions about the effectiveness of the Ministry's ability to hold its transfer payment agencies accountable for the prudent use of public funds.

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TRANSFER PAYMENT AGENCY ACCOUNTABILITY

Management Board of Cabinet has issued a Directive on Transfer Payment Accountability which prescribes a framework with four key requirements:

- setting explicit and measurable transfer payment agency expectations that support ministry program objectives;
- contracting for services;
- timely reporting of results achieved to determine whether expectations have been met; and
- when necessary, taking corrective action.

The intent of implementing such a framework is to ensure that expenditures of public funds are managed wisely and prudently and that planned objectives and results are achieved through effective program delivery.

The implementation of such a framework is particularly important since the Ministry has indicated on a number of occasions that it does not intend to involve itself in the management of transfer payment agencies, but rather assumes an overall service system management role.

Although the Ministry has undertaken a number of accountability initiatives, progress to date has not resulted in a transfer payment accountability framework that meets the requirements of the Management Board Directive as the points below explain.

- The Ministry has not defined or communicated explicit and measurable expectations for transfer payment agencies.
- We often found no evidence that the Ministry had reviewed or assessed reported results to determine whether its expectations had been met.
- Even where the Ministry had identified a need for corrective action, that action was often not taken.

Recommendation

To hold transfer payment agencies accountable for the prudent use of public funds, the Ministry should implement an accountability framework which satisfies the requirements of the Management Board Directive on Transfer Payment Accountability.

Ministry Response

The Ministry is strengthening accountability across program areas and business support activities. The Ministry approved a governance and accountability framework in June 1999 that will ensure coordination and coherence among governance and accountability initiatives.

In addition, the Ministry will issue a directive for implementing the framework that will address the four key elements of accountability (setting expectations; contracting; reporting of results; and corrective action).

TRANSFER PAYMENT AGENCY GOVERNANCE

As a result of the above-noted weaknesses in the transfer payment accountability process, the Ministry places considerable reliance on, and trust in, the agencies' boards of directors to ensure that their administration and their agencies' service delivery meet the Ministry's requirements.

However, for such reliance to be justified, the Ministry needs to ensure that the appropriate conditions for reliance are in place at each agency, which it had not yet done. These conditions include ensuring that:

- the board collectively has the expertise and experience necessary to discharge its responsibilities;
- an appropriate governance and reporting structure is in place; and
- the necessary operating policies and procedures are in place to ensure that service delivery is achieved economically, efficiently and effectively. These would include requirements, for example, with respect to client admission criteria and the extent and quality of care to be provided.

Establishing requirements for transfer payment agency governance is particularly important at this time, given the Ministry's limited resources for monitoring agencies, the increasing complexities of providing services, and the voluntary nature of agency boards.

Recommendation

To enhance and justify the reliance the Ministry can place on the boards of directors of transfer payment agencies, the Ministry should ensure that the conditions necessary for reliance are in place.

Ministry Response

The Ministry will issue a directive on transfer payment accountability and governance for the effective management of provincial transfer payment funds. The directive will be consistent with the Management Board Directive on Transfer Payment Accountability.

The transfer payment directive will be implemented by April 1, 2000 and will establish the basic accountability and governance requirements that all transfer payment recipients must meet.

AGENCY FUNDING REQUESTS AND APPROVALS

The Ministry enters into an annual funding and service agreement with each of its transfer payment agencies for the provision of community accommodation and related services and supports. The agreements are based on completed Service Budget Submission packages, which are normally sent out by the Ministry by June 30 of the year to which they relate and must be returned to the Ministry within two months of being sent out. Area office staff are expected to review the submissions, taking into consideration such things as previous years' expenditures, surpluses or deficits, caseloads and any other relevant, available information. Final budget approvals should be communicated to agencies as soon as possible to allow them to make any necessary expenditure adjustments.

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We found that the budget request and approval process was not timely. Furthermore, the Ministry could not demonstrate that the budget amounts ultimately approved were reasonable and based on assessed needs, such as service requirements and types of supports to be provided, or reflected previous years' funding surpluses or deficits, as the following examples illustrate:

- The Ministry often did not receive and approve budget submissions until near, and in some cases after, the fiscal year-end. For example:
  - For the fiscal year ending March 31, 1999, almost two thirds of the agencies we reviewed had not received funding approvals, even though only a few months remained before the fiscal year-end.
  - Similarly, for the fiscal year ending March 31, 1998, over half the files we reviewed had not been finalized and had not received funding approvals until late 1997 and, in some cases, as late as June 1998, three months after the fiscal year-end.
- For approved budgets, we found no evidence on file to indicate how, or whether, the Ministry had determined the reasonableness of the amounts of funding approved. Instead, most budgets were approved in the same amounts as had been approved in the previous year without the necessary supporting explanations.
- Our analysis of the costs of similarly described programs indicated significant variances. For example, within one area office, we determined that the cost of adult group home accommodation ranged from about $31,000 to $71,000 per person per year. Although such a range in costs may well be justified, the Ministry could not demonstrate that that was the case.

Many of our previous reports to the Ministry have commented on the lack of timeliness and the inadequacy of the Ministry's transfer payment agency budget request and funding approval process. For example, in our 1997 report on the Ministry's Transfer Payment Agency Accountability and Governance, we recommended that the Ministry:

- critically assess requests for funding and ensure that the amounts approved are consistent with the demand for and value of the underlying services to be provided; and
- review and approve budget requests on a more timely basis.

The Ministry agreed with these recommendations and further committed to:

- establish provincial benchmarks for residential care programs in the form of levels of support with corresponding funding ranges. Once established, these funding ranges were to be phased in over a three-year period; and
- speed up the budget request, review and approval process.

However, during our current audit, we found that the Ministry's commitments had not been implemented.

Recommendation

In order to help ensure that agency funding is equitable and appropriate, the Ministry should:

- **review and approve budget requests on a more timely basis; and**
- **critically assess budget requests to ensure that amounts approved are commensurate with the demand for and value of the underlying services to be provided.**

Ministry Response

The Ministry agrees that budget submission requests should be reviewed and approved on a timely basis and is taking the following steps:

- ***a review of the transfer payment budgeting and contracting process in order to develop strategies to improve timeliness; and***
- ***an assessment of the budget review process and development of a tool that establishes minimum review standards.***

COMMUNITY LIVING INITIATIVE

In 1996, the Ministry implemented a four-year Community Living Initiative to move residents from institutional settings into community-based care. For the 1997/98 fiscal year, this initiative resulted in 354 individuals being transferred from institutional to community-based care at an ongoing operational cost of $20 million per year and a one-time capital cost of $13 million for that year.

REVIEW OF OPERATIONAL FUNDING REQUESTS

An agency interested in providing accommodation to an individual being relocated from an institution must submit a proposal to its ministry area office. The proposal must include the estimated annual operating costs for supporting the individual as well as estimated one-time capital costs.

The area office is to review the proposal and, if satisfied, approve it. When an agency's proposal is approved and the individual moves, the ministry head office allocates to the agency's ministry area office $55,000 per year, which is considered an average cost for each facility placement. The area office, in turn, determines how much of the $55,000 it will provide to the agency based on the individual's placement plans. Excess area office funding, if any, is available for other Community Living Initiative placements when funding requests exceed the provincial average for an individual placement.

We reviewed approved agency proposals to accommodate individuals in institutional care and found no evidence that the area offices had assessed the reasonableness of the incremental operating funding requested or approved. For example, in one case, an area office approved annual funding for one individual of $72,000 per year, but was unable to demonstrate the reasonableness of this amount.

REVIEW OF CAPITAL FUNDING REQUESTS

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It is the Ministry's practice to exempt agencies' capital funding requests under the Community Living Initiative from its regular capital project review and approval process, which requires an assessment of alternative options and the completion of a feasibility study and business case. Instead, the Ministry has a separate process for the review and approval of Community Living Initiative capital funding requests based on a general description of the proposed project and high-level cost estimates.

Consequently, in our review of approved capital project files, we found no evidence that the Ministry assessed whether other options could have met an agency's needs or whether the approved costs were reasonable. As a result, the Ministry could not demonstrate that the approved capital projects were the most suitable and economical in the circumstances. For example, in one case, the Ministry approved the construction of a three-bedroom bungalow at a cost of $253,000 without assessing other alternatives and their related costs or the reasonableness of the approved project's costs.

Recommendation

In order to be able to demonstrate that funding provided to agencies under the Community Living Initiative is necessary and reasonable, the Ministry should review and adequately document its assessment of the necessity for and reasonableness of all approved costs.

Ministry Response

To make the best possible use of limited funds, the Ministry's placement principles and guidelines for capital projects assist in the review of funding requests. The Ministry will enhance the level of documentation to clearly demonstrate the reasonableness of costs included in operational and capital funding requests by the fall of 1999.

QUARTERLY REPORTING

Agencies are required to submit quarterly reports comparing budgeted to actual expenditures and service information such as number of days of care provided and number of occupied beds. Area offices must receive second- and third-quarter reports within 30 days of the end of the quarter and the fourth-quarter report by 45 days after year-end. The Ministry requires that agencies fully explain and describe an appropriate course of action for all identified budgeted to actual variances greater than 10% or $10,000 for financial data.

Some quarterly reports were never received while others identified significant variances that were not explained or followed up on. As a result, we found that the Ministry was not effectively monitoring agency expenditures or service levels or ensuring that appropriate corrective action was taken when necessary. For example:

- For one sixth of the agency files we reviewed, we found that some required quarterly reports were never received.
- For almost half of the agency files we reviewed, the year-end reports identified significant variances between budgeted and actual expenditures or between planned and actual service levels, yet the required explanations were either inadequate or not provided. We found no evidence that the Ministry had followed up on these variances. For example, at the 1997/98 fiscal year-end, one agency reported its actual expenditures as greater than the amount budgeted by $403,000, or 19%, but the files contained no explanation for this variance.

Recommendation

In order to more effectively monitor agency expenditures and service levels and to better identify significant variances for follow-up and corrective action, the Ministry should:

- **obtain and analyze agency quarterly reports on a more timely basis;**
- **ensure that adequate explanations or corrective action plans are provided for all significant variances; and**
- **review and approve any necessary corrective action.**

Ministry Response

The Ministry is strengthening its requirements for adherence to its transfer payment policy regarding mandatory reporting. The timely receipt of data from agencies will assist in the consistent application of corrective action.

ANNUAL PROGRAM EXPENDITURE RECONCILIATION

Agencies receiving more than $75,000 of ministry funding annually are required to submit an Annual Program Expenditure Reconciliation (APER) for each program funded together with audited financial statements no later than four months after each fiscal year-end. When not apparent from the financial statements themselves, the audited financial statements must include a note identifying any operating surpluses or deficits arising from ministry-funded programs.

The primary purpose of the APER is to reconcile a program's eligible expenditures with its approved budget in order to identify any surpluses for recovery by the Ministry and to identify any inappropriate or ineligible expenditures. We found that the APER process was not effective in meeting its intended purpose for the reasons noted below:

- For approximately one half of the APERs we reviewed, the accompanying audited financial statements lacked either sufficient detail or the note disclosure necessary to identify inappropriate or ineligible expenditures and to permit the reconciliation of the audited financial statements with the APER-reported actual expenditures. Thus the Ministry did not have independent assurance as to the accuracy of the reported program surplus or deficit.
- At one area office we visited, some APERs were not received on a timely basis. For example, one agency submitted an APER in December 1997 that had been due July 31, 1997. At the time of our audit in January 1999, the Ministry had not yet received this same agency's 1997/98 APER, which was due by July 31, 1998. The agency continued to receive its regular funding throughout this period.

Recommendation

To identify and recover funding surpluses as well as the amounts of any inappropriate and ineligible expenditures, the Ministry should:

- **ensure that Annual Program Expenditure Reconciliations (APERs) and financial statements contain sufficiently detailed and comparable information to allow identification of funding surpluses or ineligible or inappropriate expenditures; and**
- **obtain, review and approve all APERs on a timely basis.**

Ministry Response

The Ministry will develop best practices for APER reconciliations by the fall of 1999, which will include:

- ***confirmation that non-retainable income, such as interest, is properly reported;***
- ***an approach for reconciliation of allocated central administration costs;***
- ***documentation of compliance with global budgeting guidelines;***
- ***practices for recording the results of the reconciliation process; and***
- ***recommendations for reporting reconciliation results to agencies with recommended corrective action to be taken in the next period.***

COMPLIANCE WITH LEGISLATION, POLICIES AND PROCEDURES

ADULT ACCOMMODATION

GROUP HOME APPROVALS AND INSPECTIONS

Adult group homes may be funded either under the *Developmental Services Act* or the *Homes for Retarded Persons Act.* Although there are no inspection or licensing requirements for homes funded under the *Developmental Services Act,* in practice, the Ministry follows the same requirements for them as for homes funded under the *Homes for Retarded Persons Act.*

Homes funded under the *Homes for Retarded Persons Act* must be inspected for compliance with health and safety requirements and approved by the Ministry both before a group home can operate and periodically thereafter. Prior to January 1999, the required frequency for following inspections was not defined.

Effective January 1, 1999, it is the responsibility of the service providers to complete an annual compliance checklist and provide written confirmation to the Ministry. In addition, for 1999 and later years, the Ministry established a policy requirement that area offices audit and approve 5% of their group homes on an annual basis.

Our review of agency group home files revealed the following concerns:

- Two thirds of the files reviewed lacked evidence of either the Ministry's initial approval of the group homes or any subsequent inspections or approvals.
- For almost half of the files that indicated a group home had been inspected and approved at least once and deficiencies had been noted, we found no evidence of ministry follow-up on the deficiencies to ensure that appropriate corrective action had been taken.

The Ministry's current requirement to conduct random audits of and approve 5% of group homes annually will result in group homes being inspected on average once every twenty years, which is not reasonable in our view. In addition, there is no requirement to assess or inspect high-risk homes on a more frequent basis.

FAMILY HOME INSPECTIONS

The Ministry's Family Home Program guidelines require that:

- ministry area offices monitor the performance of family home agencies through annual reviews;
- agencies, in turn, annually inspect and approve their individual family homes for compliance with ministry health and safety requirements and send copies of their approval notifications for these homes to the Ministry's area offices; and
- agency staff visit each home at least monthly, and more often if required, to maintain program quality and provide ongoing supervision.

With respect to these requirements, we noted that:

- One of the three area offices we visited had conducted a few agency compliance reviews over a three-year period while the other two offices had not conducted any such reviews.

- None of the ministry files we reviewed contained the required agency approval notifications for individual family homes.
- Determining whether the required monthly home visits had occurred was not possible because there was no requirement for such visits to be documented.

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Recommendation

To ensure that group and family homes meet health and safety requirements, the Ministry should:

- **conduct initial and subsequent inspections of and approve adult group homes on a regular basis;**
- **follow up identified areas of group home non-compliance to ensure that any necessary corrective actions are taken;**
- **conduct and adequately document the required family home agency reviews; and**
- **ensure that it receives the required notifications of family home agency approvals of individual family homes and that monthly visits of agency staff to family homes are adequately documented.**

Ministry Response

The Ministry implemented a standardized checklist in January 1999 that sets expectations for service provider organizations to meet legislative and regulatory requirements, including health and safety. Service provider organizations are required to immediately rectify conditions of non-compliance with a work plan for outstanding items within an identified timeline.

The initiative to ensure that group and family homes meet legislative and regulatory requirements will be completed by the winter of 1999/2000.

To maintain the high quality of service currently in place for family home programs, the Ministry will ensure that funded agencies comply with ministry guidelines and that the required documentation is on file.

SERIOUS OCCURRENCES

The Ministry requires that all agencies verbally report to the Ministry within 24 hours all incidents of serious occurrences such as injuries or abuse of individuals in group or residential homes. In addition, a written follow-up report detailing the corrective actions taken or to be taken must be received and reviewed by the Ministry within five working days of the incident. At year-end, each agency prepares and submits to the Ministry a summary report of all serious occurrences for that year. The Ministry also records all serious occurrences by agency and compares that list to the year-end summaries provided by the agencies.

We found that the Ministry was not effectively monitoring and following up on serious occurrences. For example:

- For more than half of the files we reviewed, agencies had not provided the initial notification within the stipulated 24-hour period; the average delay was about nine days. For example, for one agency, approximately one quarter of initial notifications were provided two to three weeks after the serious occurrence.
- Almost two thirds of the written follow-up reports were also late. On average, these reports were received 21 days after the serious occurrence.
- Many written reports lacked sufficient detail to permit a review or assessment of the occurrence and the appropriateness of the corrective action to be taken. Additionally, we found no evidence that the Ministry had reviewed or, where necessary, followed up on many of the serious occurrences reported or assessed the proposed corrective actions.

Recommendation

To help safeguard the health and safety of individuals living in community accommodation, the Ministry should ensure that:

- **agencies report all serious occurrences both verbally and in writing within required timeframes; and**
- **ministry staff promptly investigate and follow up all serious occurrences to ensure that the necessary corrective actions have been taken.**

Ministry Response

The Ministry has developed an action plan to ensure that all regional offices and transfer payment agencies comply with the requirements of the serious occurrence reporting procedure. This will assist staff in their documentation of serious occurrence investigations and follow-up action.

MANAGEMENT INFORMATION SYSTEMS

The Ministry has recently implemented a new computerized Services and Management Information System (SMIS) that monitors expenditure and service information for each area office and community accommodation provider. Information is entered into the system by area office staff on a quarterly basis. All area office managers are required to confirm in writing to the Ministry's head office that the information entered into the system is complete and accurate.

Our review of the information recorded in the system identified a number of instances of incomplete, inaccurate, untimely and inconsistent information. This greatly reduced the effectiveness and usefulness of the system for monitoring and assessing area offices and agencies. For example:

- The information in SMIS had not been updated to reflect the approved contract particulars for agencies in any of the three area offices we visited. Also, the system had not been updated to track dates for budget receipts or contract approvals.
- Approximately 20% of the agencies we reviewed had calculated direct service costs on an annual basis per individual rather than on a daily basis as required.
- Some information was inaccurate. For example, in one area office, the cost per bed for children's group homes was calculated to be $535,000 per year. This amount was inaccurate because only 20% of the agencies provided the number of beds for the calculation, which should have been based on the total number of beds. In another area office, the number of beds was not recorded at all and, consequently, the calculation could not be made.

- The system did not produce regular exception reports to enable the Ministry to identify missing expenditures or data elements, or to identify significant variances in costs or services requiring ministry follow up.

Recommendation

To improve the usefulness of its management information system, the Ministry should:

- **ensure that complete and accurate agency information is collected and entered into the system on a timely basis; and**
- **implement regular, detailed exception reports for management review and follow up.**

Ministry Response

Since its introduction in the 1997/98 fiscal year, the Service Management Information System has become more stable and staff are experienced in its use. Regular training will continue to be provided. Quarterly reporting in conjunction with the Service Management Information System will be used to identify significant variances requiring follow-up.