

REPORT OF THE AUDITOR GENERAL

To the House of Assembly



Updates on Prior Years' Report Items

2009

Auditor General of Newfoundland and Labrador

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Mission Statement

The Office of the Auditor General serves the House of Assembly by providing independent examinations of Government and its entities.

As legislative auditors, we audit financial statements and other accountability documents, evaluate management practices and control systems, and determine compliance with legislative and other authorities.

Our purpose is to promote accountability and encourage positive change in the stewardship, management and use of public resources.



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28 October 2009

The Honourable Roger Fitzgerald, M.H.A.
Speaker
House of Assembly

Dear Sir:

In compliance with the *Auditor General Act*, I have the honour to submit herewith, for transmission to the House of Assembly, my 2009 Report on Updates on Prior Years' Report Items.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John L. Noseworthy".

JOHN L. NOSEWORTHY, CA
Auditor General

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**CHAPTER
1
REFLECTIONS OF THE
AUDITOR GENERAL**

Reflections of the Auditor General



The Office of the Auditor General is committed to promoting accountability and encouraging positive change in the stewardship, management and use of public resources. To this end, each year my Office conducts reviews of Government departments and Crown agencies which result in findings and recommendations. Our recommendations are designed to address weaknesses and/or improve processes and, therefore, it is important that Government consider them and take corrective action.

Each year my Office reports on the status of the implementation of recommendations made in prior *Reports to the House of Assembly on Reviews of Departments and Crown Agencies* (Annual Reports). In the past, I included this information in Chapter 3 of my Annual Reports; however, this year I decided to issue a separate report to the House of Assembly. It is anticipated that this stand-alone document will bring more focus on the status of my recommendations.

My objective is to monitor and report on the degree to which positive change has occurred as a result of the implementation of recommendations contained in my prior Annual Reports. My goal is that at least 80% of recommendations will be acted upon within two years of being reported. Monitoring the implementation of past recommendations continues until I am reasonably satisfied that issues have been adequately addressed or are no longer applicable.

Overall Conclusion

I am pleased that entities have generally agreed with our recommendations and have taken reasonable steps to implement change. It is encouraging to find that, of the 160 recommendations monitored in this Report, 139 recommendations (86.9%) have been acted upon. As a result, our goal of having at least 80% of our recommendations acted upon within two years of being reported has been met.

With regards to 19 recommendations (11.9%), officials at 8 entities had not taken action to implement the recommendations. I encourage these officials to revisit the recommendations and reconsider their position.

Recommendations Identified for Monitoring

To compile this *Report to the House of Assembly on Updates on Prior Years' Report Items*, I reviewed Annual Reports from 2004 to 2007 to determine, based on information provided by the entities in prior reports, which recommendations required further follow-up. My review identified 160 recommendations from 30 report items which required further follow-up.

The distribution of the 160 recommendations, by entity, over each of the four years is outlined in Figure 1:

Figure 1

Distribution of Recommendations by Entity 2004 to 2007

Entity	2004	2005	2006	2007	Total
College of the North Atlantic			5		5
Department of Education				8	8
Department of Environment and Conservation	2	1			3
Department of Finance			5		5
Department of Government Services	1	1	6	12	20
Department of Health and Community Services				14	14
Department of Human Resources, Labour and Employment		5			5
Department of Innovation, Trade and Rural Development				1	1
Department of Justice			4	21	25
Department of Municipal Affairs	2			14	16
Department of Natural Resources			6	2	8
Department of Tourism, Culture and Recreation			4		4
Department of Transportation and Works			5	4	9
Executive Council		1			1
Labrador-Grenfell Regional Health Authority				15	15
Memorial University of Newfoundland		7			7
Municipal Assessment Agency		3			3
Newfoundland and Labrador Housing Corporation				4	4
Newfoundland Liquor Corporation			6		6
Royal Newfoundland Constabulary			1		1
Total	5	18	42	95	160

Reflections of the Auditor General

As Figure 1 shows, the 160 recommendations related to 20 separate entities. The 160 recommendations were contained in the following Annual Reports:

- 95 recommendations in 13 report items from the 31 March 2007 Annual Report;
- 42 recommendations in 9 report items from the 31 March 2006 Annual Report;
- 18 recommendations in 5 report items from the 31 March 2005 Annual Report; and
- 5 recommendations in 3 report items from the 31 March 2004 Annual Report.

In February 2009, correspondence was sent to applicable Deputy Ministers and Chairs/Chief Executive Officers of Crown agencies requesting that they respond to a series of questions for each of the recommendations related to their entity. Following receipt of a written response, my staff met with senior officials to review the information provided. Based on our review and assessment of this information, we determined whether each recommendation had been acted upon (i.e. either fully implemented or being implemented), had no implementation action taken, or was no longer applicable (e.g. the program no longer existed).

Overall Assessment

Our follow-up work consisted primarily of inquiries and discussions with management officials at Government departments and Crown agencies, and a review of selected supporting documentation. This was not an audit, and accordingly, we cannot provide a high level of assurance that the actions described by entity officials have resulted in the recommendations being implemented effectively.

I found that, of the 160 recommendations:

- 139 (86.9%) have been acted upon as follows:
 - 91 - we agree that these recommendations have been fully implemented;
 - 38 - we agree that officials at the entities are in the process of implementing the recommendations; and
 - 10 - although we agree that some implementation action has occurred, we disagree with officials at the entities regarding their assessment of the extent of the implementation.
- 19 (11.9%) have had no implementation action taken.
- 2 (1.2%) are no longer applicable.

Reflections of the Auditor General

As a result, our goal of having at least 80% of our recommendations acted upon within two years of being reported has been met.

No Implementation Action Taken

My review indicated that there were 19 of the 160 recommendations at 8 entities where officials had not taken action to implement the recommendations. Of the 19 recommendations, we determined that there would be no benefit for my Office to follow-up on 10 of the recommendations because the entity has clearly indicated that the recommendations will not be implemented. The remaining 9 recommendations will be followed-up by my Office because we are of the opinion that some further action will take place.

Details of the 10 recommendations where the entity has clearly indicated that the recommendations will not be implemented, and where my Office will not be conducting any further follow-up, are outlined in Figure 2.

Figure 2

No Further Follow-up Planned by the Office of the Auditor General

Entity	Description
Part 2.9 Department of Finance Newfoundland Liquor Corporation - Liquor Licensing and Enforcement (2006 Annual Report, Part 2.6)	Recommendation Number 1 Corporation officials indicated that they have discretion under legislation to approve requests to allow alcohol to be removed from licensed premises and be consumed on the street. We maintain that legislation prohibits alcohol from being removed from licensed premises. Recommendation Number 6 Corporation officials indicated that when inspectors are in a community, they attempt to visit all categories of licenses during routine visits. We maintain that inspection frequency for various license categories should be established on a more formal basis.
Part 2.13 Department of Government Services - Superintendent of Pensions (2006 Annual Report, Part 2.9)	Recommendation Number 1 Department officials indicated that they do not intend to use a risk based system to conduct inspections or audits of pension plans. We maintain that they should. Recommendation Number 2 Department officials indicated that they do not intend to request financial statements from pension plan administrators. We maintain that the submission and review of annual financial statements would provide additional support for the information submitted with the Annual Information Return.

Reflections of the Auditor General

Entity	Description
<p>Part 2.15 Department of Health and Community Services - Hospital-Acquired Infections (2007 Annual Report, Part 2.9)</p>	<p>Recommendation Number 11 Department officials indicated that the Authorities are directly responsible for infection control supplies, not the Department. We maintain that the Department is responsible for establishing and monitoring the Province-wide level of infection control supplies to be maintained by the Authorities.</p>
<p>Part 2.16 Department of Health and Community Services Labrador-Grenfell Regional Health Authority (2006 Annual Report, Part 2.10)</p>	<p>Recommendation Number 10 Health Authority officials indicated that it is their opinion that change orders are an operational issue and not subject to Board approval. We maintain that this position is in direct conflict with the <i>Public Tender Act</i>.</p> <p>Recommendation Number 12 Health Authority officials indicated that they do not agree with the original recommendation and continue to reimburse senior management employees who are on the pay for points scale at Executive travel rates. We maintain that the Authority's travel and other expenses should be consistent with Government policy.</p>
<p>Part 2.18 Department of Human Resources, Labour and Employment - Income Support Program (2005 Annual Report, Part 2.15)</p>	<p>Recommendation Number 4 Department officials indicated that they terminate investigations that are not concluded within a four month time frame. We maintain that the <i>Income and Employment Support Regulations</i> require that the investigations be completed within four months of being assigned.</p>
<p>Part 2.29 Department of Transportation and Works - Equipment Maintenance Program (2007 Annual Report, Part 2.18)</p>	<p>Recommendation Number 3 Department officials indicated that the lowest tender was accepted. We maintain that the Department did not comply with the spirit of the <i>Public Tender Act</i> when it purchased 15 used loaders in 2006.</p>
<p>Part 2.31 Department of Transportation and Works - Provincial Roads Maintenance and Construction (2006 Annual Report, Part 2.16)</p>	<p>Recommendation Number 5 Department officials indicated that Province-wide risk assessments are carried out. We concluded that that risk assessments conducted by the Department are carried out and work priorities are set on a regional basis, rather than a Province-wide basis.</p>

Details of the 9 recommendations where we are of the opinion that some further action will take place, and where my Office will be conducting further follow-up, are outlined in Figure 3.

Figure 3

Further Follow-up Planned by the Office of the Auditor General

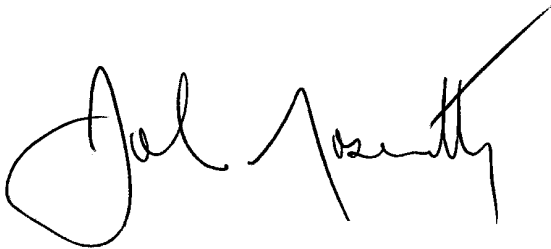
Entity	Description
<p>Part 2.4 Department of Education - Designation of Educational Institutions (2007 Annual Report, Part 2.4)</p>	<p>Recommendation Number 1 Department officials indicated that the Department had not developed specific policies and procedures pertaining to designation as it had not implemented the National Designation Policy Framework.</p> <p>Recommendation Number 2 We disagree with the Department's reasoning that implementing the recommendation is dependent on the outcome of socio-economic performance indicator development at the national level. We are of the opinion that the Department does not have to wait to develop performance indicators.</p>
<p>Part 2.11 Department of Government Services - Food Premises Inspection and Licensing Program (2007 Annual Report, Part 2.7)</p>	<p>Recommendation Number 5 We disagree with the Department's position in cases where inspectors applied their professional expertise and judgement in deciding whether to close a food premise. We are of the opinion that food premises should be closed as outlined in existing Departmental policies.</p>
<p>Part 2.16 Department of Health and Community Services Labrador-Grenfell Regional Health Authority (2006 Annual Report, Part 2.10)</p>	<p>Recommendation Number 2 Health Authority officials indicated that integration of its accounts receivable system was pending decisions surrounding the possible merger of the Meditech system with the Western Regional Health Authority.</p>
<p>Part 2.20 Department of Justice - Adult Custody Program (2007 Annual Report, Part 2.15)</p>	<p>Recommendation Number 7 Department officials indicated that the Adult Custody Division was unable to identify a dedicated resource to complete the RUS [Resource Utilization System] procedures manual in fiscal year 2007-08 but that every attempt would be made to address this concern in fiscal year 2009-10.</p> <p>Recommendation Number 17 Department officials indicated that the Adult Custody Division was unable to accomplish the development of a comprehensive preventative capital asset maintenance program and inspection schedule but that every attempt would be made to address this in fiscal year 2009-10.</p> <p>Recommendation Number 18 Department officials indicated that the Department recognizes that reporting on capital asset maintenance costs and history was dependent on developing a comprehensive capital asset maintenance program and inspection schedule and creating an appropriate automated program to manage this system.</p>

Reflections of the Auditor General

Entity	Description
	Recommendation Number 19 Department officials indicated that the present computer inventory system was deficient and requires significant upgrade. Once that has been accomplished in partnership with the Office of the Chief Information Officer the Department would be in a position to conduct accurate and comprehensive annual inventory counts and account for capital assets.
Part 2.21 Department of Justice - Community Corrections (2006 Annual Report, Part 2.11)	Recommendation Number 3 We disagree with the Department's reasoning for not implementing the recommendation in that the Department proceeded on the basis that the community-based programming contracts were governed by the <i>Public Tender Act</i> . We are of the opinion that these contracts should be governed by the requirements of Government's Consultant's Guidelines and would require a public proposal call. The matter is now under review within the Department and a legal opinion has been requested.

Acknowledgements

I acknowledge the cooperation and assistance my Office has received from officials of the various Government departments and agencies. I also thank my staff for their continued hard work, professionalism and dedication.



JOHN L. NOSEWORTHY, CA
Auditor General

**CHAPTER
2
UPDATE ON PRIOR YEARS'
REPORT ITEMS**

Overview We conduct legislative audits (reviews) to provide the House of Assembly with information on public sector accountability. Reviews are carried out to determine whether:

- public money is being properly collected and accounted for;
- expenditures are properly recorded and made for the purposes intended;
- accounts are properly kept;
- assets are adequately safeguarded; and
- accounting and management systems and practices are adequate.

These reviews also determine whether activities of Government departments and agencies have been carried out in compliance with legislation, Government policies and other authorities.

Each year, our Office issues an Annual Report which contains comments and recommendations resulting from the reviews carried out of programs and processes in various Government departments and agencies. Each report item contains a written response from Government departments and agencies to each recommendation, which we include verbatim in the published Report. All of our reports are available on our website www.gov.nl.ca/ag.

Once our Annual Report is finalized, Government departments and agencies decide whether they accept and how to implement our recommendations. In most cases, entities appreciate the independent advice given and seek to make the improvements we suggest. In some cases, the passage of time or changes in circumstances means that it no longer makes sense to implement the recommendations as we originally presented them.

In addition to reporting the results of our reviews, each year we provide the House of Assembly with an update on the status of recommendations contained in previous Annual Reports to the House of Assembly.

This chapter includes the results of these monitoring activities on our Annual Reports up to and including 2007.

Monitoring responses to reviews of Government departments and agencies

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report on the degree to which positive change has occurred as a result of the implementation of recommendations contained in our prior years' reports. Therefore, we monitor and provide an update to the House of Assembly on the recommendations in each Annual Report when entities have had a reasonable length of time to respond to the findings - approximately two years after a Report is published. Monitoring of these recommendations continues until we are reasonably satisfied that issues are adequately addressed or are no longer applicable.

In the past, our update was contained in Chapter 3 of the Annual Report "*Reviews of Departments and Crown Agencies*". However, this year the Annual Report did not include this information. Instead, this separate report has been prepared for the Speaker of the House of Assembly for tabling in the House.

How updates were compiled

To compile this Update Report, our Office reviewed past recommendations to determine which ones remained outstanding. Letters were sent requesting that entities provide an update as to any further progress made on these outstanding recommendations.

For each outstanding recommendation, entities provided written responses to three standard questions (do you agree with the recommendation; is it still applicable; and has it been implemented?), and several specific questions related to implementation of the recommendation. Some entities provided additional documentation such as procedure manuals or spreadsheets. Responses to these questions were included in the report only in cases where we disagreed with the response provided.

Once a draft report was compiled, a copy was provided to the entity for their review. In addition, a meeting was held to validate our findings, clarify any details related to implementation of the recommendation and obtain feedback from the entity on our review process. Additional information about the report item often resulted from these meetings. As a result, our conclusions are based on the written responses provided by the entities, additional documentation sent to our Office, and information resulting from meetings held with each entity.

Our overall conclusions summarize our assessment of the responses provided by the entity and point out any areas of concern or where we disagree with an entity, including their assessment of progress towards implementation of a particular recommendation.

Level of review Our follow-up work consists primarily of inquiries and discussions with management officials at Government departments and agencies and review of selected supporting documentation. This is not an audit, and accordingly, we cannot provide a high level of assurance that the actions described have been implemented effectively. The actions taken or planned will be more fully examined and reported on in future reviews and may impact our assessment of when future reviews should be conducted.

Report includes an update on 30 reviews associated with 20 Government departments and agencies The rest of this chapter provides updates on a total of 160 recommendations from 30 reviews associated with 20 Government department and agencies as follows:

- 13 reviews from the 2007 Annual Report
- 9 reviews from the 2006 Annual Report
- 5 reviews from the 2005 Annual Report
- 3 reviews from the 2004 Annual Report

The entities which provided responses to our update requests are as follows:

- College of the North Atlantic
- Department of Education
- Department of Environment and Conservation
- Department of Finance
- Department of Government Services
- Department of Health and Community Services
- Department of Human Resources, Labour and Employment
- Department of Innovation, Trade and Rural Development
- Department of Justice
- Department of Municipal Affairs

Introduction

- Department of Natural Resources
 - Department of Tourism, Culture and Recreation
 - Department of Transportation and Works
 - Executive Council
 - Labrador-Grenfell Regional Health Authority
 - Memorial University of Newfoundland
 - Municipal Assessment Agency
 - Newfoundland and Labrador Housing Corporation
 - Newfoundland Liquor Corporation
 - Royal Newfoundland Constabulary
-

Structure of each update report

For each of the reviews we monitored during 2009, we provide:

- highlights of our findings for each update item;
 - brief background information;
 - a summary of our original findings;
 - a list of outstanding recommendations;
 - our overall conclusion for a particular report item;
 - responses from entities to the questions asked; and
 - our conclusion associated with each recommendation.
-



Highlights

Highlights of an update on the review of inconsistent compensation practices. We summarized items included in our Annual Reports to the House of Assembly from 1994 to 2005 which included references to inconsistent compensation practices.

Purpose of Our Review

In 2005, we reviewed items on compensation practices that were included in our Annual Reports to:

- summarize and highlight the inconsistent compensation practices that existed at boards, agencies and commissions; and
- determine whether a compensation policy had been communicated to all Government entities including boards, agencies and commissions clearly outlining that compliance with compensation practices established for Government departments was mandatory.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.2

EXECUTIVE COUNCIL

Inconsistent Compensation Practices

2005 Annual Report, Part 2.1; Update: 2007, Part 3.2.3

Recommendations

We first monitored this item in 2007. While the Public Service Secretariat reported that work was in progress related to the recommendations, outstanding items remained. In February 2009, we contacted the Public Service Secretariat requesting an update as to any further progress made on the following recommendation that was included in the 2005 Report:

1. *The Public Service Secretariat should consult with Government as to whether Government's compensation practices should be applied to all Government entities.*

Areas of Disagreement

None.

Overall Conclusion

Although the Public Service Secretariat has conducted a review of compensation practices in Government boards, commissions and agencies, the Secretariat has not concluded its consultation with Government as to whether Government's compensation practices should be applied to all Government entities. We conclude that follow-up is required on this recommendation.

Inconsistent Compensation Practices (2005 Annual Report, Part 2.1; Update: 2007, Part 3.2.3)

Introduction In 2005, we summarized items on compensation practices that were included in our Annual Reports to the House of Assembly from 1994 to 2005. We conducted our review to summarize and highlight the inconsistent compensation practices that existed at boards, agencies and commissions; and determine whether a compensation policy had been communicated to all Government entities including boards, agencies and commissions clearly outlining that compliance with compensation practices established for Government departments was mandatory.

What we found As a result of our review, we reached the following overall conclusions:

Inconsistent compensation practices without consequence

There were many examples of inconsistent compensation practices among Government entities. Many of the inconsistencies related to the more senior officials at the entities. These officials were often aware of the inconsistencies and, in many instances, they continued to take the higher benefits despite being told to stop such practices.

No clear policy direction

There has been no clear policy direction on the extent of conformity required by boards, agencies and commissions with Government compensation practices.

Inconsistent salary levels

Memorial University of Newfoundland and Labrador Hydro had salary levels which were not consistent with those established for Government departments. Although Government and each of these entities use a job classification system, instances of higher pay for similar work (i.e. compensation inconsistency) occurred as a result of different compensation standards.

Implications of inconsistent compensation practices

We continued to see that Government employees were not all compensated on a consistent basis. Furthermore, these inequities resulted in increased costs for Government.

**Inconsistent Compensation Practices
(2005 Annual Report, Part 2.1; Update: 2007, Part 3.2.3)**

Our follow-up We first monitored this item in 2007. While the Public Service Secretariat reported that work was in progress related to the recommendations, outstanding items remained. In February 2009, we contacted the Public Service Secretariat requesting an update as to any further progress made on the following recommendation that was included in the 2005 Report:

1. The Public Service Secretariat should consult with Government as to whether Government's compensation practices should be applied to all Government entities.

The update provided by the Public Service Secretariat in response to our request is contained in this Report.

Overall conclusion

Although the Public Service Secretariat has conducted a review of compensation practices in Government boards, commissions and agencies, the Secretariat has not concluded its consultation with Government as to whether Government's compensation practices should be applied to all Government entities. We conclude that follow-up is required on this recommendation.

Recommendation

The Public Service Secretariat should consult with Government as to whether Government's compensation practices should be applied to all Government entities.

Entity's response from previous report

The Public Service Secretariat indicated in its response to the 2007 follow-up report request that:

- this was a very complex issue requiring extensive review and analysis, particularly given the number and diversity of boards, commissions and agencies;
- the Public Service Secretariat was in the process of finalizing its review; and
- they intended to submit a paper to Treasury Board in early 2008 outlining policy options for their consideration.

**Entity's
response to
specific
questions**

The Public Service Secretariat was asked to respond to a specific question unique to this recommendation. An overview of the information provided by the Secretariat in response to our question is contained in the following section.

Question 1:

Has the Public Service Secretariat finalized its review of compensation practices in Government boards, commissions and agencies? If not, when is it expected to be finalized?

Information provided:

The Secretariat indicated there were two aspects to this issue. The two aspects, together with information provided on each by the Secretariat, are as follows:

1. Conclusion of a review of information about compensation practices among boards, commissions and agencies, specifically whether their practices were the same as those applied in "core" Government departments and agencies.

The Secretariat indicated it had compiled information from entities concerning their compensation practices. The Minister of Finance and President of Treasury Board had written colleagues asking that they request information from their respective boards, commissions and agencies. This information was subsequently provided to the Secretariat for compilation and review.

Overall, boards, commissions and agencies reported compliance with Government's compensation practices except in the following cases:

- where their legislation provided them with the power to do otherwise;
- where limited exceptions were approved through mechanisms laid out in the applicable legislation; and
- in a limited number of cases, where pre-existing arrangements that were considered to be legally binding provided for differing arrangements.

2. Whether Government's compensation practices should be applied to all Government entities.

The Secretariat indicated that this point is one that Government considers on a regular basis through the Cabinet process and ultimately, through debate and adoption of legislation.

It was noted that the remuneration factor, when considered, can relate to the business and purpose of a particular entity, or can relate to the Province's overall fiscal position. Further, remuneration issues may be the subject of deliberation in the consideration of new legislation or in the consideration of amendments to existing legislation. The *Public Sector Restraint Act*, 1992 and the *Public Services Resumption and Continuation Act* both dealt with remuneration matters that had application beyond the "core" public service.

Illustrative examples were provided by the Secretariat of legislative provisions for specific entities which allow considerable latitude in setting remuneration. The legislation cited as examples were: the *Energy Corporation Act*; the *Memorial University Act*; the *Research and Development Council Act*; the *Housing Corporation Act*; and the *College Act*.

It was also noted that factors such as whether bargaining unit employees and their agents are subject to the *Labour Relations Act* or the *Public Service Collective Bargaining Act* may affect the environment in which remuneration is negotiated for these groups of employees, and may in part account for differences in remuneration and other collective agreement provisions. Even when their legislation allows them considerable latitude in setting remuneration, many public sector entities choose to follow the compensation practices that apply within core Government departments and agencies, making exceptions only when their business and operational requirements demand otherwise.

**Our
conclusion**

Follow-up Required

The Secretariat indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Inconsistent Compensation Practices
(2005 Annual Report, Part 2.1; Update: 2007, Part 3.2.3)



Highlights

Highlights of an update on the review of the Debt Reduction Grant Program administered by the Student Financial Services of the Department of Education for the fiscal years 2002-03 to 2005-06.

Purpose of Our Review

In 2007, we performed a review of the debt reduction grant program at the Department to determine whether:

- students received debt reduction grants in accordance with established eligibility criteria;
- the Department had adequate systems and procedures to ensure students receive debt reduction grants to which they are entitled; and
- the Department complied with the *Student Financial Assistance Act and Regulations*.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.3

DEPARTMENT OF EDUCATION

Debt Reduction Grant Program
2007 Annual Report, Part 2.3

Recommendations

In February 2009, we contacted the Department of Education (the Department) requesting an update as to any progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should ensure that all students are assessed for a debt reduction grant upon graduation.*
2. *The Department should follow-up on a timely basis regarding outstanding student information requested from educational institutions.*
3. *The Department should advise students who did not apply for a loan in their final year of study that they must apply for a debt reduction grant.*
4. *The Department should continue with its efforts to have the Student Financial Assistance Regulations amended to properly authorize loan remission payments to students who had not applied to the loan remission program.*
5. *The Department should ensure that the Student Aid Management Information System (SAMS) database is accurately updated with information received from educational institutions and with information generated from debt reduction grant assessment procedures.*

Areas of Disagreement

None

Overall Conclusion

In relation to recommendation number 4 concerning amendment of the *Student Financial Assistance Regulations*, the Department indicated that this amendment is part of a broader group of amendments that are in the final stages of the legislative drafting approval process. We conclude that follow-up is required on this recommendation.

Debt Reduction Grant Program (2007 Annual Report, Part 2.3)

Introduction In 2007, we performed a review of the debt reduction grant program at the Department of Education (the Department). We conducted our review to determine whether:

- students received debt reduction grants in accordance with established eligibility criteria;
 - the Department had adequate systems and procedures to ensure students receive debt reduction grants to which they are entitled; and
 - the Department complied with the *Student Financial Assistance Act* and *Regulations*.
-

What we found As a result of our review, we reached the following overall conclusions:

All eligible students were not receiving debt reduction grants, as a result of the following:

- Although the Division knew that certain students had graduated and it had the necessary information to assess eligibility for a debt reduction grant, the Division did not perform the procedures necessary to determine grant eligibility. As a result of our review of 15 files in this situation, the Division determined that 7 students (47%) should have received grants totalling \$52,591.
- Educational institutions did not provide requested student information and the Division did not follow-up on the outstanding information. As a result of our review of 21 files in this situation, 6 students (29%) should have received grants totalling \$46,799.
- Students who did not apply for a student loan in their final year of study were not identified by the Division as being in their final year of study and therefore were not automatically assessed for debt reduction grant eligibility on graduation. In this situation, students were not advised that they had to apply for a debt reduction grant on graduation.

The Division did not comply with the *Student Financial Assistance Regulations* when it paid \$2 million in loan remissions to 307 students who had not formally applied. Rather than require a formal application from the students as provided for under the *Regulations* and in order to provide students with the maximum assistance, the Division automatically assessed students for eligibility under both the Loan Remission Program and the Debt Reduction Grant Program. In addition, during our testing of debt reduction grants, we found errors in the information contained in the Student Aid Management Information System.

Our follow-up In February 2009, we contacted the Department of Education requesting an update as to any progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should ensure that all students are assessed for a debt reduction grant upon graduation.*
2. *The Department should follow-up on a timely basis regarding outstanding student information requested from educational institutions.*
3. *The Department should advise students who did not apply for a loan in their final year of study that they must apply for a debt reduction grant.*
4. *The Department should continue with its efforts to have the Student Financial Assistance Regulations amended to properly authorize loan remission payments to students who had not applied to the loan remission program.*
5. *The Department should ensure that the Student Aid Management Information System (SAMS) database is accurately updated with information received from educational institutions and with information generated from debt reduction grant assessment procedures.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

We conclude that the Department of Education:

- ensures that all students are assessed for a debt reduction grant upon graduation;
- follows-up on a timely basis regarding outstanding student information requested from educational institutions;
- advises students who did not apply for a loan in their final year of study that they must apply for a debt reduction grant; and
- ensures that the Student Aid Management Information System (SAMS) database is accurately updated with information received from educational institutions and with information generated from debt reduction grant assessment procedures.

Therefore, our recommendations regarding these matters have been implemented and no follow-up is required.

Further follow-up on recommendation number 4 is required as follows:

- We recommended that the Department should continue with its efforts to have the *Student Financial Assistance Regulations* amended to properly authorize loan remission payments to students who had not applied to the loan remission program. The Department indicated that this amendment is part of a broader group of amendments that are in the final stages of the legislative drafting approval process. Therefore, further follow-up would be required to determine whether the amendments have occurred.

We conclude that follow-up is required on this recommendation.

Recommendation No. 1

The Department should ensure that all students are assessed for a debt reduction grant upon graduation.

**Entity's
response from
previous report**

The Department indicated in its response to our 2007 report that:

- the 389 applications that were not assessed for debt reduction grants would be processed and eligible students would be contacted and provided with their debt reduction grants;
 - a review of debt reduction grant administration activities would immediately be carried out, and within three months a plan would be established to correct the processing and administration errors noted in our report; and
 - the plan would include the routine reporting of debt reduction grant administration functions to Department executive.
-

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Have all of the 389 students been assessed for a debt reduction grant? For those that have been assessed, please indicate the number and amount of grants paid to eligible students. If all of the students have not been assessed, then, how many have been assessed; why haven't they all been assessed; and when does the Department expect to complete the assessments?

Response:

“All 389 students have been assessed, resulting in the following outcome:

- 179 were denied on the basis of not meeting eligibility criteria;

- 122 were approved for debt reduction for a total dollar value of \$463,491 and 17 were approved under Loan Remission for a total dollar value of \$87,478;
- 69 of the students have not responded to repeated requests for additional information and remain outstanding. For many of these, requests have been sent four times and SFS has not received a response because these students are on outstanding Audit Code restrictions; and
- 2 remain outstanding waiting additional information SFS is continuing efforts to get the required information.

The Department has provided to the Auditor General the listing of 389 students falling into each category.”

Question No. 2:

How does the Department ensure that all students are assessed for a debt reduction grant upon graduation?

Response:

“In late June or early July, SFS asks the Office of the Chief Information Officer (OCIO) to produce a list of students who graduated from all Educational Institutions (EI) who may be eligible for Debt Reduction (DR).

The process from the time OCIO is notified of the request until SFS receives the list of potential students eligible for DR usually takes a couple of weeks for most institutions with the exception of MUN which could take 4-6 weeks because OCIO has to receive the data from MUN and test it before it is applied.

This process is conducted in one of two ways depending on the EI:

1. Electronically (MUN – ESIS System)
2. Manually (all other institutions)

A detailed explanation of each follows:

MUN – Electronically

At the end of every semester OCIO obtains a number of electronic downloads from MUN's Enhanced Student Information System (ESIS) containing data for every student which attended MUN that semester (i.e. the program of study, the number of courses taken, the number of courses passed, and the academic standing of the student, i.e., still enrolled, graduated, required to withdraw, or unknown.)

OCIO receives the ESIS data on a semester basis and cross references it with the SAMS database to update the status of all students (for a given semester). This process identifies the students who have graduated from their programs in the given semester.

Once OCIO has the list of students who graduated and received a student loan in the last semester, the information is uploaded to SAMS by OCIO. At this point Financial Clerks can determine which students on the list are eligible and for how much. (Note: The eligibility process is outlined in more detail in the Financial Clerks section of the Divisional Operations Manual.)

In addition, in the fall of each year OCIO runs a report to identify any students which attended MUN the previous winter semester but who are not attending in the Fall. An electronic copy of this file is sent to the Manager of Assessment & Records Management and a paper copy of this list is sent to the Financial Clerks for follow up to see if any of these students may have graduated and are possibly eligible for DR.

Other Institutions – Manually

Once OCIO receives a request from SFS to generate a list of all current graduating students who may be eligible to receive DR, OCIO searches SAMS for all students who applied for a loan in the last year and who indicated on their student loan application or cost form that they were in their final year of study.

When this information is compiled it is sent to the Manager of Assessment & Records Management at SFS (along with control totals) to be distributed to the schools.

Depending on the number of students attending the school the distribution method varies:

1. For schools with 30 or less students identified as being possible candidates for Debt Reduction, Student Information Request for Debt Reduction and Program Monitoring forms are sent to the school.

2. For schools with more than 30 students, electronic versions of the forms are prepared. The forms, by Educational Institution are posted on the shared directory by the Systems Analyst. The Financial Officer at SFS accesses the files and saves each file to a CD.

Once the paper lists and CD's are verified they are forwarded to the divisional registrar, along with an accompanying letter, to be distributed to the various schools. The registrar also maintains a distribution list of all notices sent out in an effort to identify the schools and students for which no reply is returned.

Once a reply is received by the registrar it is marked as being received on the distributions list and the documentation is scanned into TRIM. (This particular process is outlined in detail in the registrar section of the Divisional Operations Manual).

At this point the Financial Clerks receive notification in TRIM of this DR return and they input the information into SAMS. Once the DR information for the student is put into SAMS, the financial clerks analyze the DR and student information to determine if the student is eligible for DR and the amount of DR they are entitled to and this information is entered into SAMS. OCIO then arranges the printing of a DR notice and a DR payout file for the Student Loan Corporation of Newfoundland and Labrador. The process is outlined in Section 12 (Debt Reduction) of the Divisional Operation Manual P 4-15.

In addition, a list of all Educational Institutions which had DR forms sent to them and have not returned them are sent to the Financial Clerks for follow up.

When the Financial Clerks are finished their DR calculation OCIO is notified that a DR notice has to be generated. At this point OCIO generates a DR notice of which a hard copy of these DR notices are sent to the Financial Officer to be distributed to the students. In addition, an electronic copy of a Debt Grant reduction payout report is placed on the shared drive for the Financial Officer to assist them in the preparation and distribution of these DR notices. Details on this process are outlined in the Financial Officers section of the Divisional Operations Manual Financial Officers Section of Manual P16-23. This section is still in draft and has not been included in Section 12 (Debt Reduction) of the operation manual.”

Question No. 3:

Are debt reduction grant administration functions routinely reported to Department executive?

Response:

“Information is provided to departmental executive as requested.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 2

The Department should follow-up on a timely basis regarding outstanding student information requested from educational institutions.

**Entity’s
response from
previous report**

The Department indicated in its response to our 2007 report that:

- a review of debt reduction grant administration activities would immediately be carried out, and within three months a plan would be established to correct the processing and administration errors noted in our report; and
 - the plan would include the routine reporting of debt reduction grant administration functions to the Department executive.
-

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

How does the Department ensure timely follow-up with respect to outstanding student information requested from educational institutions?

Response:

“Activity logs are maintained of debt reduction information requests as they are forwarded to educational institutions for completion. Requests are monitored and logged as they are received at SFS. Those institutions that do not provide information as requested are contacted via telephone requesting the information. If a situation arises whereby a student’s benefits are not being paid out in a timely manner due to lack of information being received from an institution, the student is advised to contact the institution to obtain the information personally. A copy of the activity log has been supplied to the Auditor General”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 3

The Department should advise students who did not apply for a loan in their final year of study that they must apply for a debt reduction grant.

**Entity’s
response from
previous report**

The Department indicated in its initial response to our 2007 report that a notice was placed in the 2006/07 student application guide advising students in their final year of study to contact the Student Financial Services Division of the Department. The notice would also be communicated to student unions and included in student newspapers and other correspondence.

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the notice been placed in annual student application guides since 2006/07? Has the Department communicated the notice to the student union and in what newspapers and other correspondence has the notice been included?

Response:

“Effective for the 2006/07 academic year, the Application and Guide document contained this information. SFS is planning an advertising campaign this April to inform graduates of the importance of following-up with the division to ensure they are considered for Debt Reduction Grant benefits.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 4

The Department should continue with its efforts to have the Student Financial Assistance Regulations amended to properly authorize loan remission payments to students who had not applied to the loan remission program.

**Entity’s
response from
previous report**

The Department indicated in its response to our 2007 report that a review of debt reduction grant administration activities would immediately be carried out, and within three months a plan would be established to correct the processing and administration errors noted in our report.

Furthermore, during our review, it was noted that proposed regulatory amendments, to properly authorize loan remission payments to students who had not applied to the loan remission program, were awaiting approval by the Minister.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to each recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have the *Student Financial Assistance Regulations* been amended to properly authorize approximately \$2 million in loan remission payments to the 307 students who had not applied to the loan remission program? If not, then when do you expect to have these amendments made?

Response:

“This amendment is part of a broader group of amendments that are in the final stages of the legislative drafting approval process.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that it has not been implemented.

We agree with this response.

Recommendation No. 5

The Department should ensure that the Student Aid Management Information System (SAMS) database is accurately updated with information received from educational institutions and with information generated from debt reduction grant assessment procedures.

**Entity's
response from
previous report**

The Department indicated in its response to our 2007 report that:

- a review of debt reduction grant administration activities would immediately be carried out, and within three months a plan would be established to correct the processing and administration errors noted in our report.
 - the plan would include the routine reporting of debt reduction grant administration functions to Department executive.
-

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

How does the Department ensure that the database is accurately updated with information received from educational institutions and with information generated from debt reduction grant assessment procedures?

Response:

“Supervisors perform routine spot checks of inputted data, combined with ongoing discussions with staff highlighting the importance of accuracy in data entry.

From each batch of processed DRG a random sample is taken and they are checked to ensure that they are processed according to the rules outlined for DRG processing. In addition the information is verified against the information which is submitted on the DRG forms by the schools to ensure the information is correct. This process has been ongoing for number of months and there have been no major problems.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

**Debt Reduction Grant Program
(2007 Annual Report, Part 2.3)**



Highlights

Highlights of an update on the review of the designation of educational institutions for the purpose of student loans for the period 2004-05 to 2006-07.

Purpose of Our Review

In 2007, we performed a review of the designation of educational institutions under the student loan program to determine whether the Department of Education:

- was monitoring educational institutions to assess whether they were complying with designation requirements under the *Student Financial Assistance Act* and *Regulations*;
- adopted the National Designation Policy Framework relating to the student loan program; and
- has established and was complying with educational institution designation policy and procedures.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adgmail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.4

DEPARTMENT OF EDUCATION

Student Loan Program - Designation of Educational Institutions
2007 Annual Report, Part 2.4

Recommendations

In February 2009, we contacted the Department of Education (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department of Education should develop policies and procedures to ensure that educational institutions comply with the designation requirements for the purposes of student loans under the Student Financial Assistance Act and Regulations.*
2. *The Department of Education should consider adopting the National Designation Policy Framework. In connection with this the Department should develop socio-economic indicators to be used in assessing the performance of educational institutions in the Province, as provided for under the Framework; and develop policies and procedures and enter into formal agreements with educational institutions as outlined under the Framework.*
3. *The Department of Education should advise all educational institutions in the Province of their student loan repayment performance. In particular, for educational institutions where improvement is required the Department should advise, assist, and monitor these institutions in taking the appropriate action to improve student loan repayment performance.*

Areas of Disagreement

We disagree with the Department's reasoning that assessing educational institution performance, establishing policies and procedures, and entering into formal agreements with educational institutions is dependent on the outcome of socio-economic performance indicator development at the national level (recommendation number 2). In addition, we disagree with the Department's response that recommendation number 3 has been implemented because the Department has only partially implemented our recommendation.

Overall Conclusion

We conclude that none of the recommendations made in our 2007 report have been implemented; therefore, follow-up is required on these recommendations.

Student Loan Program – Designation of Educational Institutions (2007 Annual Report, Part 2.4)

Introduction In 2007, we performed a review of the designation of educational institutions under the student loan program. The objectives of our review were to determine whether the Department of Education:

- was monitoring educational institutions to assess whether they were complying with designation requirements under the *Student Financial Assistance Act* and *Regulations*;
- adopted the National Designation Policy Framework relating to the student loan program; and
- established and was complying with educational institution designation policy and procedures.

What we found As a result of our review, we reached the following overall conclusions:

The Department of Education (the Department) could not demonstrate whether the Province developed policies and procedures to ensure that educational institutions comply with the designation requirements for the purposes of student loans under the *Student Financial Assistance Act* and *Regulations*.

Furthermore, the Province had not adopted the National Designation Policy Framework developed in 2004 because of the absence of socio-economic indicators which could be used in assessing the performance of educational institutions in the Province, as provided for under the Framework. In addition, the Province had not developed the policies and procedures or entered into formal agreements with educational institutions as outlined under that Framework. The agreements, which were required to be in place to maintain Federal student loan program designation, should have outlined for example, student loan repayment performance targets, required information exchange between institutions and the Province and tuition refund policies.

As a result of the inaction on the part of Government and in accordance with the Framework, all educational institutions in the Province may have been at risk for de-designation for Federal student loan purposes i.e. students would not be eligible for the 60% Federal portion of a total student loan. Educational institutions at particular risk would have been the 11 of 43 institutions whose student loan repayment performance in July 2007 was rated as “poor” (student loan repayment rate less than 48.7%).

Of particular note was that Department officials indicated none of the educational institutions had been advised of their student loan repayment performance, whether improvements were required and whether there was risk of de-designation. In addition, the Province still had not taken action to monitor and work with educational institutions to address student loan repayment performance.

Our follow-up In February 2009, we contacted the Department of Education requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department of Education should develop policies and procedures to ensure that educational institutions comply with the designation requirements for the purposes of student loans under the Student Financial Assistance Act and Regulations.*
2. *The Department of Education should consider adopting the National Designation Policy Framework. In connection with this the Department should:*
 - *develop socio-economic indicators to be used in assessing the performance of educational institutions in the Province, as provided for under the Framework; and*
 - *develop policies and procedures and enter into formal agreements with educational institutions as outlined under the Framework.*
3. *The Department of Education should advise all educational institutions in the Province of their student loan repayment performance. In particular, for educational institutions where improvement is required the Department should advise, assist, and monitor these institutions in taking the appropriate action to improve student loan repayment performance.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
Conclusion**

We concluded that the Department of Education has not implemented the three recommendations made in our 2007 Report; therefore, follow-up is required on each recommendation. In particular:

- The Department of Education has not developed the policies and procedures necessary to ensure educational institutions comply with the designation requirements under the *Student Financial Assistance Act and Regulations*.
- Although the Department indicated in its response to our 2007 Report that it would continue to work to identify appropriate social and economic indicators in support of the National Designation Policy Framework, these indicators have still not been developed. As a result, Newfoundland and Labrador is the only Province in Canada that has not adopted the National Designation Policy Framework.

As well, the Department indicated that it does not agree with our recommendation in this area. We disagree with the Department's reasoning that assessing educational institution performance, establishing policies and procedures, and entering into formal agreements with educational institutions is dependent on the outcome of socio-economic performance indicator development at the national level.

- In our original report, we recommended that the Department advise all educational institutions in the Province of their student loan repayment performance. In particular, for educational institutions where improvement is required, we recommended that the Department advise, assist, and monitor these institutions in taking the appropriate action to improve student loan repayment performance.

The Department indicated that the recommendation has been implemented. However, we disagree because the Department has only partially implemented our recommendation by advising educational institutions of their student loan repayment rate performance. In order to fully implement our recommendation, the Department must also advise, assist and monitor educational institutions in taking the appropriate action to improve upon the student loan repayment rates, where required.

Recommendation No. 1

The Department of Education should develop policies and procedures to ensure that educational institutions comply with the designation requirements for the purposes of student loans under the Student Financial Assistance Act and Regulations.

**Entity’s
response from
previous report**

The Department did not indicate any planned actions in its response to our 2007 Report.

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1 :

Has the Department developed policies and procedures to ensure that educational institutions comply with designation requirements? If not, then when would the Department expect to develop these policies and procedures?

Response:

“No, the Department has not developed specific policies and procedures pertaining to designation as it has not implemented this framework. The Department continues to deal with this issue under the *Student Financial Assistance Regulations*. Section 3 of these regulations establishes requirements for educational institutions designated for student assistance purposes.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has not been implemented.

We agree with this response.

Recommendation No. 2

The Department of Education should consider adopting the National Designation Policy Framework. In connection with this the Department should:

- *develop socio-economic indicators to be used in assessing the performance of educational institutions in the Province, as provided for under the Framework; and*
 - *develop policies and procedures and enter into formal agreements with educational institutions as outlined under the Framework.*
-

**Entity’s
response from
previous report**

The Department indicated in its response to our 2007 Report that it would continue to work to identify appropriate social and economic indicators in support of the National Designation Policy Framework. It was further indicated that upon development of these indicators and in consultation with stakeholders, options would be presented to Cabinet in relation to the processes for monitoring educational institutions.

**Entity’s
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: “Yes”

- If still applicable, do you agree with original recommendation? (Yes/No)

Response:

“No, the Department continues to have concerns with the Pan-Canadian Framework, particularly from the perspective of an absence of appropriate performance indicators e.g., socio-economic indicators.”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response:

“No, the Department continues to have concerns with the Pan-Canadian Framework, particularly from the perspective of an absence of appropriate performance indicators e.g., socio-economic indicators.”

**Entity’s
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No 1:

Has the Department identified and adopted appropriate social and economic indicators in support of the National Designation Framework? If not, when would the Department expect to identify and adopt these indicators?

Response:

“No, the Department has not yet developed indicators as work is continuing at the national level. Once the national work is completed, the Department will determine whether the indicators developed are appropriate for the provincial situation and will proceed accordingly.”

We disagree with the Department’s reasoning that assessing educational institution performance, establishing policies and procedures, and entering into formal agreements with educational institutions is dependent on the outcome of socio-economic performance indicator development at the national level.

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they do not agree with the original recommendation; and that the recommendation has not been implemented.

We disagree with the Department’s reasoning that assessing educational institution performance, establishing policies and procedures, and entering into formal agreements with educational institutions is dependent on the outcome of socio-economic performance indicator development at the national level.

Recommendation No. 3

The Department of Education should advise all educational institutions in the Province of their student loan repayment performance. In particular, for educational institutions where improvement is required the Department should advise, assist, and monitor these institutions in taking the appropriate action to improve student loan repayment performance.

**Entity’s
response from
previous report**

The Department did not indicate any planned actions in its response to our 2007 Report.

**Entity’s
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)
Response: “Yes”
- If still applicable, do you agree with original recommendation? (Yes/No)
Response: “Yes”
- If you agree with recommendation, has it been implemented? (Yes/No)
Response: “Yes”

We disagree that our recommendation has been implemented as the Department has only partially implemented our recommendation by advising educational institutions as to their student loan repayment rate performance. In order to fully implement our recommendation, the Department must also advise, assist and monitor educational institutions in taking the appropriate action to improve upon the student loan repayment rates, where required.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. An overview of the information provided by the Department in response to our question is contained in the following section.

Question No 1:

Has the Department advised all educational institutions in the Province of their student loan repayment performance, including assisting and monitoring institutions where improvement in student loan repayment performance is required? If not, then:

- why has this not occurred; and
- when does the Department expect to advise all educational institutions in the Province of their student loan repayment performance, including assisting and monitoring institutions where improvement in student loan repayment performance is required?

Information provided:

The Department provided us with correspondence, dated 1 April 2008, which was sent to educational institutions advising the institutions of their student loan repayment rates as of 31 July 2004, 31 July 2005, 31 July 2006, and 31 July 2007, for the class of borrowers that entered repayment status during the respective previous academic years.

The Department also provided us with correspondence, dated 12 February 2009, which was sent to educational institutions advising the institutions of their student loan repayment rates as of 31 July 2008, for the class of borrowers that entered repayment status during the previous academic year.

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented as the Department has only partially implemented our recommendation by advising educational institutions as to their student loan repayment rate performance. In order to fully implement our recommendation, the Department must also advise, assist and monitor educational institutions in taking the appropriate action to improve upon the student loan repayment rates, where required.



Highlights

Highlights of an update on a review of the College of the North Atlantic for the period 1 April 2003 to 31 March 2005.

Purpose of Our Review

In 2006, we performed a review of the College of the North Atlantic to determine whether:

- College expenditures were properly approved, monitored and controlled; and
- the College complied with legislation such as the *College Act, 1996* and the *Public Tender Act and Regulations*, and Government and College policy.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.5

DEPARTMENT OF EDUCATION

College of the North Atlantic
2006 Annual Report, Part 2.4

Recommendations

In February 2009, we contacted the College requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The College should comply with Government's compensation policies regarding payment of bonuses, salary differentials, appointments, step increases, promotions, overtime pay and leave.*
2. *The College should comply with Government's recruitment policies for creating positions, position classifications, job competitions and step placements.*
3. *The College should establish an objective approach for the selection of all consultant services.*
4. *The College should comply with the Public Tender Act and Regulations*
5. *The College should adequately record, monitor and safeguard capital assets.*

Areas of Disagreement

None.

Overall Conclusion

Since our review in 2006, the College has taken actions to address all findings and recommendations. The College performed an extensive internal review and assessment and also engaged an external consultant to assess our findings and recommendations. We conclude that no follow-up is required on this Report because the College has implemented all of our recommendations.

Introduction In 2006, we performed a review of the College of the North Atlantic (the College). We undertook this review to determine if College expenditures were properly approved, monitored and controlled and whether the College complied with legislation such as the *College Act, 1996* and the *Public Tender Act and Regulations*, and Government and College policy.

What we found Overall, we had significant concerns with expenditures and human resource practices at the College of the North Atlantic. A lack of adherence to Government policy, particularly in the human resources area, led to questionable transactions and resulted in instances of inappropriate expenditures of public funds.

Non-compliance with compensation practices

The College was not always complying with Government's compensation practices. We identified unauthorized cash bonuses, inappropriate salary differentials, inappropriate salaries relating to appointments, step increases and promotions, unapproved and questionable overtime, and inappropriate accumulation and use of leave.

Non-compliance with recruitment policies

Contrary to the requirements of the *College Act, 1996*, the College was not complying with Government's recruitment policies. We found that required job competitions were not always conducted and managers were appointed upscale without the required documented approval of the President.

Qatar - inappropriate gifts and compensation practices

There were 6 employees who were in a conflict of interest regarding the inappropriate retention of significant monetary gifts (some at \$20,000 US). There were also 2 board members who, contrary to Board policy, accepted monetary gifts of \$20,000 US. In addition, none of the 164 employment contracts had been reviewed by the Department of Justice or approved by Treasury Board, and employees earned significantly more salary and received increased benefits and pensions.

Expenditure issues

There were issues with expenditures such as inadequate approvals and non-compliance with Government and College policy. Professional development expenses were not approved in advance, car allowances were paid contrary to Government's car allowance policy, senior employee travel was not always properly approved, retirement gifts were purchased for non-executive pay plan employees, ineligible relocation expenses were paid, and four consulting contracts were awarded without inviting proposals.

Public Tender Act contravened

Goods and services were purchased in contravention of the *Public Tender Act*. Three purchases totalling \$9,136,123 were not publicly tendered, while in 2 other instances totalling \$68,478, the Minister of Government Services was not informed of the sole source exceptions and therefore the exceptions were not tabled in the House of Assembly.

Capital assets inadequately controlled

The College did not adequately record, monitor and safeguard its capital assets. The College's capital asset ledger was not accurate, not all moveable electronic equipment could be located, some portable computers were kept at employees' homes and monitoring information on 58 College vehicles was not accurate.

College's Labrador campus lease

Contrary to Government policy, the College entered into a lease arrangement and, over a 4 month period, paid \$120,000 more than the previous lease payments which the then Department of Works, Services and Transportation considered appropriate.

Our follow-up

In February 2009, we contacted the College requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report.

- 1. The College should comply with Government's compensation policies regarding payment of bonuses, salary differentials, appointments, step increases, promotions, overtime pay and leave.*
- 2. The College should comply with Government's recruitment policies for creating positions, position classifications, job competitions and step placements.*
- 3. The College should establish an objective approach for the selection of all consultant services.*
- 4. The College should comply with the Public Tender Act and Regulations.*
- 5. The College should adequately record, monitor and safeguard capital assets.*

The updates provided by the College in response to our request are contained in this Report.

**Overall
conclusion**

Since our review in 2006, the College of the North Atlantic has taken actions to address all findings and recommendations. The College performed an extensive internal review and assessment and also engaged an external consultant to assess our findings and recommendations. We conclude that no follow-up is required on this Report because the College has implemented all of our recommendations.

Recommendation No. 1

The College should comply with Government's compensation policies regarding payment of bonuses, salary differentials, appointments, step increases, promotions, overtime pay and leave.

**Entity's
response from
previous report**

The College indicated in its response to the 2006 Report that:

- an external human resource consultant had been engaged to review practices, advise on policy, and make recommendations to management;
- an accounting firm had been contracted to conduct a forensic audit which would review issues relating to policy and legislative compliance;
- the College had sought appropriate formal authority for this practice (set personnel policies) from the Minister of Education;
- all step progressions would be in accordance with Government policy;
- its interpretation of the policy (salary differential) at that time differed from Government's interpretation and it would follow Government's procedure in the future;
- where there was appropriate documentation, overtime would be paid; however, in cases where appropriate documentation did not exist, corrective action would be taken;
- the employee's leave bank would be adjusted;

- the employee was no longer with the College and the issue of outstanding leave was being addressed; and
- the College had undertaken a review of all employee service and paid leave calculations, and was making necessary adjustments in accordance with Government policy.

**Entity's
response to
specific
questions**

The College was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Have the human resource consultant and Grant Thornton reports been finalized.

Response:

“Yes, the reports have been finalized. The College’s Human Resources Division has created a work-plan designed to address the recommendations in the Auditor General’s report and the Grant Thornton Report.”

Question No. 2:

Did the College obtain authority from the Minister of Education to establish personnel policies?

Response:

“Yes, the College has received approval from the Minister to establish selected personnel policies as per section 15(1)(h) the *College Act, 1996*. The policy to permit the payment of instructional coordinator bonuses as noted in the report has been approved.”

Question No. 3:

Are all step progressions in accordance with Government policies since our audit?

Response:

“The College is in compliance with Government’s Compensation Policies regarding payment of bonuses, salary differentials, appointments, step increases, promotions, overtime pay and leave. Since March 2007, the College’s Executive Director of Human Resources has been closely monitoring compensation practices and Human Resource Managers are being held accountable for ensuring that the College is following Government’s policies or those approved by the Minister in accordance with 15(1)(h) of the *College Act, 1996*.”

Question No. 4:

Is the College complying with Government’s salary differential policy?

Response:

“The College is complying with the policy.”

Question No. 5:

What action was taken to correct the overtime discrepancies?

Response:

“The College has through its Internal Audit process, conducted a thorough review of its overtime policies. Resulting from this, an overtime program is being implemented that will be in full compliance with Government’s Policy. This will include distribution of a communication directive to all College Managers to ensure they are aware of their responsibilities with regard to prior approval, record of actual time worked and forms updated. The Human Resource Division with the introduction of People Soft (HRIS) will develop an electronic form for approval, costing, recording and payment of overtime worked. Human Resource Division staff will review all overtime forms submitted by management prior to submitting to payroll for payment, to ensure full compliance. Full implementation is targeted for December 2009.”

Question No. 6:

Did the College adjust the employee's leave bank? If so, what was the adjustment? If not, what is the status?

Response:

"The employee's leave bank was reduced by 5 days as per the finding in the report."

Question No. 7:

What action was taken to address the issue of outstanding leave?

Response:

"The employee referred to in the finding had already left the College but was due payout of severance and other benefits. The outstanding leave issue was addressed through this process."

Question No. 8:

What action was taken based on the review of all employee service and paid leave calculations?

Response:

"The College assigned a staff member to review and update employee service and paid leave calculations. A computerized accrual module was developed and implemented in 2008 using People Soft (HRIS). The College's internal audit staff will be conducting a review of the process and verifying data integrity."

**Our
conclusion**

Follow-up Not Required

We agree that the College's actions have addressed our recommendation.

Recommendation No. 2

The College should comply with Government's recruitment policies for creating positions, position classifications, job competitions and step placements.

**Entity's
response from
previous report**

The College indicated in its response to the 2006 Report that:

- classification reviews would be requested from the Public Service Secretariat as required in future; and
 - an appropriate approval would be sought from the Public Service Commission respecting temporary assignments, and Government procedures will be followed pertaining to upscale hires.
-

**Entity's
response to
specific
questions**

The College was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Does the College request the necessary classification reviews from Public Service Secretariat? If not, what is the status?

Response:

“Yes, the College requests classification reviews on all new classifications. A review has been conducted on all classifications and those without official Public Service Secretariat reviews have been or are in the process of being submitted.”

Question No. 2:

Did the College receive approval from the Public Service Commission on temporary assignments and is the College following Government policy on upscale hiring? If not, what is the status?

Response:

“The College follows Government’s Policy on upscale hiring and provides the PSC with a list of temporary assignments yearly.”

**Our
conclusion**

Follow-up Not Required

We agree that the College’s actions have addressed our recommendation.

Recommendation No. 3

The College should establish an objective approach for the selection of all consultant services.

**Entity’s
response from
previous report**

The College indicated in its response to the 2006 Report that they did not have a policy for selecting external consultants but was developing one that would be consistent with Government’s policy.

**Entity’s
response to
specific
questions**

The College was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Is the College using an external consultant's policy that is consistent with Government's policy? If so, please provide a copy of the College's policy. If not, what is the status of the policy?

Response:

"Yes, the College is using an external consultant's policy that is consistent with Government's."

**Our
conclusion**

Follow-up Not Required

We agree that the College's actions have addressed our recommendation.

Recommendation No. 4

The College should comply with the Public Tender Act and Regulations.

**Entity's
response from
previous report**

The College indicated in its response to the 2006 Report that:

- all appropriate forms (Form B's) would be completed in future; and
 - the College would review and ensure staff comply with its internal policies (on purchases of goods and services \$10,000 and less).
-

**Entity's
response to
specific
questions**

The College was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Does the College submit Form B's to the Government Purchasing Agency on exceptions to the *Public Tender Act*? If not, what is the status of submitting Form B's?

Response:

“Yes, the College submits Form B's to the Government Purchasing Agency when required under the *Act*.”

Question No. 2:

How does the College ensure staff comply with its internal policies on purchases of goods and services \$10,000 and less?

Response:

“A Manager of Procurement and Bookstore Operations has been hired to oversee the operation of the purchasing department. The purchasing function has been consolidated at Headquarters in Stephenville with 7 buyers under direct supervision of the manager. Purchasing staff have been alerted to require completion of Form B's when requisitions are submitted without tender requests. The Manager of Procurement and Bookstore Operations reviews files on a regular basis to ensure compliance. An orientation package is being developed to guide purchasing staff in proper procedures.”

**Our
conclusion**

Follow-up Not Required

We agree that the College's actions have addressed our recommendation.

Recommendation No. 5

The College should adequately record, monitor and safeguard capital assets.

**Entity's
response from
previous report**

The College indicated in its response to the 2006 Report that:

- future analyses would be completed to ensure all location codes in the database system are reasonable and assets would be disposed of properly; and
 - the College would enhance and expand its monitoring and control over vehicles.
-

**Entity's
response to
specific
questions**

The College was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

What action has the College taken to ensure their capital asset database is up-to-date and assets are disposed of properly?

Response:

“All capital acquisitions are physically tagged upon receipt by the College and entered into the capital asset database. These acquisitions are reconciled to the College’s financial statements. Annual asset counts are performed and discrepancies are investigated. Three full-time positions are dedicated to this process. All usable assets, no longer suitable for College use, are sold through public auction.”

Question No. 2:

What action has the College taken to monitor control over vehicles?

Response:

“The College has taken the following action to monitor control over vehicles:

- The vehicle logs have been modified to more accurately record actual odometer readings, hours of use and fuel purchases specific to the vehicle to reduce the risk of recording errors. For example, if a vehicle only records hours of use then that is all that will be available on the log sheet for that vehicle.
- If there are any errors found on the vehicle logs the campus is contacted immediately to correct the errors and the adjustments are made to the reports. This ensures that the campuses are accountable for any inaccuracies in the logs.
- The College is in the process of hiring a fleet maintenance site supervisor who will be, among other duties, responsible for the monitoring of the vehicle reports to ensure accuracy with respect to repairs, odometer readings, annual budgets and equipment refresh recommendations.”

**Our
conclusion**

Follow-up Not Required

We agree that the College’s actions have addressed our recommendation.



Highlights

Highlights of an update on the review of Memorial University of Newfoundland primarily for the two years ended 31 March 2004.

Purpose of Our Review

In 2005, we performed a review of Memorial University of Newfoundland (the University) to determine if:

- there were mechanisms in place to ensure the University was accountable to Government and the House of Assembly;
- Government, primarily through the Department of Education, was adequately involved in monitoring the financial performance of the University;
- the University followed a strong strategic plan; and
- the University used a strong system of controls for its financial transactions and assets.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/agg. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.6

DEPARTMENT OF EDUCATION

Memorial University of Newfoundland

2005 Annual Report, Part 2.3; First update: 2007, Part 3.2.4

Recommendations

We first monitored this report item in 2007. While the University reported then that many recommendations had been addressed, outstanding items remained. In February 2009, we contacted the University requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

1. *The University should finalize management agreements with all Separately Incorporated Entities (SIEs).*
2. *The University should ensure recruitment policies are complied with and that compliance is documented.*
3. *The University should increase its efforts in reviews of cash handling.*
4. *The University should address issues identified with the review of travel claims by source faculties, departments and divisions, and subsequent review at the Financial Administrative Services Division.*
5. *The University should update the University's 1986 Campus Master Plan.*
6. *The University should ensure its capital assets ledger is accurate.*
7. *The University should review its process for selecting auctioneering services relating to the disposal of University assets.*

Areas of Disagreement

None.

Overall Conclusion

While the Memorial University of Newfoundland has made progress in addressing the recommendations from our 2005 report, recommendation numbers 1, 2 and 4 have not yet been fully addressed. To fully address the recommendations, the University will need to put management agreements in place for all Separately Incorporated Entities, implement an on-line applicant process for recruitment, and implement the Travel Claims Processing module for use in electronic travel claims processing. We conclude that follow-up is required on these recommendations.

Introduction In 2005, we performed a review of Memorial University of Newfoundland. We conducted our audit to determine whether: there were mechanisms in place to ensure the University was accountable to Government and the House of Assembly; Government, primarily through the Department of Education, was adequately involved in monitoring the financial performance of the University; the University followed a strong strategic plan; and the University used a strong system of controls for its financial transactions and assets.

What we found As a result of our review, we reached the following overall conclusions:

Accountability mechanisms

We learned that the University was unique among all other Government entities in the way it was held accountable to Government and the House of Assembly. At the time of our review, the University was the only Government entity:

- not subject to all requirements of the *Transparency and Accountability Act*);
- not included in the Province's Consolidated Summary Financial Statements; and
- not compelled to have officials appear before Committees of the House of Assembly.

In our opinion, the University's accountability mechanisms were not adequate.

Government monitoring

Our review indicated that the Department of Education did not have significant involvement in monitoring the financial affairs of the University.

Strategic plan

We also found that, while the University had a strategic framework, it could not be considered as a comprehensive strategic plan to direct its operations. However, we noted that at the time, the University was in the process of developing a more comprehensive strategic plan.

Control of financial transactions and assets

We learned that weaknesses existed in the University's system of financial transaction and asset controls. There were significant inconsistencies in compensation practices between University employees and other public sector employees, as well as inconsistencies with the University's own policies. We also found that the University was not always complying with the *Public Tender Act*.

Our follow-up

We first monitored this item in 2007. While the University reported then that many recommendations had been addressed, outstanding items remained. In February 2009, we contacted the University requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

- 1. The University should finalize management agreements with all Separately Incorporated Entities (SIEs).*
- 2. The University should ensure recruitment policies are complied with and that compliance is documented.*
- 3. The University should increase its efforts in reviews of cash handling.*
- 4. The University should address issues identified with the review of travel claims by source faculties, departments and divisions, and subsequent review at the Financial Administrative Services Division.*
- 5. The University should update the University's 1986 Campus Master Plan.*
- 6. The University should ensure its capital assets ledger is accurate.*
- 7. The University should review its process for selecting auctioneering services relating to the disposal of University assets.*

The updates provided by the University in response to our request are contained in this Report.

Overall conclusion

While the Memorial University of Newfoundland has made progress in addressing the recommendations from our 2005 report, recommendation numbers 1, 2 and 4 have not yet been fully addressed. To fully address the recommendations, the University will need to put management agreements in place for all Separately Incorporated Entities, implement an on-line applicant process for recruitment, and implement the Travel Claims Processing module for use in electronic travel claims processing. We conclude that follow-up is required on these recommendations.

Recommendation No. 1

The University should finalize management agreements with all Separately Incorporated Entities (SIEs).

Entity's response from previous report

The University indicated in its response to the 2007 follow-up report request that:

- Management Agreements were in place with six SIEs;
 - Management Agreements were under development with respect to four others, two of which did not exist at the time of the review in 2005; and
 - a Management Agreement is no longer required for another as it is planned to be integrated into the University.
-

Entity's response to specific questions

The University was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Have Management Agreements under development for the four SIE's been put in place? If not, when are they expected to be put in place?

Response:

“The Management Agreement has been completed for EDUTECH. The Newfoundland Quarterly Management Agreement is nearing completion and is pending board approval. The Childcare Centre Management Agreement has received board approval. Management Agreement discussions for the Canadian Centre for Fisheries Innovation (CCFI) have not commenced. CCFI is supported by the Federal and Provincial governments and the Management Agreement has been flagged for discussion upon continuation of funding.”

Question No. 2:

Has the other SIE been integrated into the University, and if not, has a Management Agreement been put in place?

Response:

“The transfer of the Canadian Centre for Marine Communications (CCMC) to the Marine Institute was approved by the Board of Regents in February 2008.”

**Our
conclusion**

Follow-up Required

The University indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation has not been implemented.

We agree with this response.

Recommendation No. 2

The University should ensure recruitment policies are complied with and that compliance is documented.

**Entity's
response from
previous report**

The University indicated in its response to the 2007 follow-up report request that an automated applicant tracking system (ATS) was under development, with implementation to occur in 2008.

**Entity's
response to
specific
questions**

The University was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the automated applicant tracking system (ATS) been approved and implemented? If not approved and implemented, when is this expected to occur?

Response:

“The applicant tracking system (ATS) has not been implemented at this time as the system was not feasible with current technology. However, an on-line application process is scheduled to go live on May 22, 2009.”

**Our
conclusion**

Follow-up Required

The University indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation has not been implemented.

We agree with this response.

Recommendation No. 3

The University should increase its efforts in reviews of cash handling.

**Entity's
response from
previous report**

The University indicated in its response to the 2007 follow-up report request that an internal audit project [on cash handling] had been commenced and that the University was awaiting a draft report from the auditors.

**Entity's
response to
specific
questions**

The University was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the internal audit project [on cash handling] been completed? If not completed, when is this expected to occur?

Response:

“The internal audit project on cash handling has been completed.

There were three internal audit reports completed on cash handling:

St. John's Campus, dated July 10th, 2007
Marine Institute, July 27th, 2007
Sir Wilfred Grenfell College, October 3rd, 2007.”

**Our
conclusion**

Follow-up Not Required

We agree that the University's actions have addressed our recommendation.

Recommendation No. 4

The University should address issues identified with the review of travel claims by source faculties, departments and divisions, and subsequent review at the Financial Administrative Services Division.

**Entity's
response from
previous report**

The University indicated in its response to the 2007 follow-up report request that it was researching the feasibility of implementing a computerized system for travel claims.

**Entity's
response to
specific
questions**

The University was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the computerized system for travel claims been developed and implemented? If so, please provide information on the capabilities of the system. If not developed and implemented, when is this expected to occur?

Response:

“The vendor of the University’s finance system is in the process of releasing a Travel Claims Processing module. This module would be the preferred software to use for electronic travel claims processing as it would interface directly with the finance module and other system modules. The vendor has released the Travel Claims Processing module in the USA with plans to release the Canadian version at a date in the near future. The timeline for implementation depends upon the release date of the Canadian version of the software and upgrading of the finance system to the latest version of the software as of that date (this will normally occur as part of our operations). Memorial would then purchase the Travel Claims Processing Module and the imaging software that corresponds with it and is required to obtain full benefits of the module. Memorial has submitted a funding request with this year’s budget submission to the provincial government for this purchase - currently anticipated to cost \$500,000 to purchase and to implement this software. Funding will be required in order to purchase and to implement the software.”

**Our
conclusion**

Follow-up Required

The University indicated that the recommendation is still applicable; that they agree with the original recommendation; however, the recommendation has not been implemented.

We agree with this response.

Recommendation No. 5

The University should update the University's 1986 Campus Master Plan.

**Entity's
response from
previous report**

The University indicated in its response to the 2007 follow-up report request that all work on the Master Plan for the St. John's Campus is complete. The documents have been the focus of a broad consultation process and are now being finalized. All work on the Master Plan for the Sir Wilfred Grenfell College Campus is complete and the documents are in the process of being finalized.

**Entity's
response to
specific
questions**

The University was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have Master Plan documents for the St. John's Campus and the Sir Wilfred Grenfell College Campus been finalized? If not finalized, when is this expected to occur?

Response:

"The documents are completed."

**Our
conclusion**

Follow-up Not Required

We agree that the University's actions have addressed our recommendation.

Recommendation No. 6

The University should ensure its capital assets ledger is accurate.

**Entity's
response from
previous report**

The University indicated in its response to the 2007 follow-up report request that it was decided to conduct a thorough physical review of the capital asset inventory. This was underway and should be completed by 31 March 2008.

**Entity's
response to
specific
questions**

The University was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the physical review of the capital asset inventory been completed? If so, is the capital asset inventory now considered to be accurate? If not completed, when is this expected to occur?

Response:

“The physical review of the capital asset inventory has been completed. The capital asset inventory is now considered to be accurate. Periodic reviews will be conducted by the Internal Audit division of the University as part of its annual audit plan.”

**Our
conclusion**

Follow-up Not Required

We agree that the University's actions have addressed our recommendation.

Recommendation No. 7

The University should review its process for selecting auctioneering services relating to the disposal of University assets.

**Entity's
response from
previous report**

The University indicated in its response to the 2007 follow-up report request that local auctioneering firms have been contacted to assess interest in bidding on a contract to provide service to the University. Sample contracts that these companies have with other business entities had been reviewed but were determined not to be comprehensive enough to serve the University's needs. The Procurement Officer was preparing tender specifications that will address these needs. It was anticipated that a contracted, publicly tendered service will be in place no later than 1 April 2008.

**Entity's
response to
specific
questions**

The University was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Procurement Officer prepared the tender specifications? If not prepared, when is this expected to occur?

Response:

“Yes, the Procurement Officer has prepared the tender specifications. The tender has been awarded. This process took longer than expected as the university was not able to find companies interested in this work other than the one that was actively engaged by the university. Although additional bidders could not be located, the tender was issued.”

**Our
conclusion**

Follow-up Not Required

We agree that the University's actions have addressed our recommendation.



Highlights

Highlights of an update on the review of petroleum storage tanks for the two years ended 31 March 2004.

Purpose of Our Review

In 2005, we performed a review of petroleum storage tanks to determine whether the Department of Environment and Conservation and the Government Service Centres:

- had satisfactory systems and processes in place to administer the petroleum storage system registration process under the *Storage and Handling of Gasoline and Associated Products Regulations, 2003*;
- adequately monitor, through the inspection process, the condition of storage systems within the Province to protect the environment on a proactive basis; and
- enforce compliance with environmental legislation and conditions of approval.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.7

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Petroleum Storage Tanks

2005 Annual Report, Part 2.6; First update: 2007, Part 3.2.8

Recommendations

In 2007, we followed up with the Department of Environment and Conservation and the Department of Government Services on any progress made on our recommendations that were included in our 2005 Report. In February 2009, we contacted both departments requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

1. *The Department of Environment and Conservation should ensure compliance with its legislative requirements and work closely with the Department of Government Services to ensure that all requirements of their Memorandum of Understanding are met.*
2. *The Department of Government Services should ensure that all petroleum storage systems have been registered as required under the Storage and Handling of Gasoline and Associated Products Regulations, 2003.*

Areas of Disagreement

We disagree with the Department of Environment and Conservation that recommendation number 1 related to compliance with legislative requirements has been fully addressed because the Department still has to review 4,124 systems.

Overall Conclusion

Since our initial review in 2005, the Department of Environment and Conservation still has not made progress on recommendation number 1 in ensuring all petroleum storage systems other than home heating systems less than 2,500 litres are registered in accordance with the *Storage and Handling of Gasoline and Associated Products Regulations, 2003*. For example:

- Although the systems were to be registered by 30 November 2004, as of March 2009, the Department still had to review 4,124 systems that had been previously issued a certificate of approval but were not yet registered. This is a decrease of only 141 tanks from the 4,265 systems reported in 2007.
- Currently there are 1,688 registrations to be followed-up to determine the Certificate of Approval number, an increase of two registrations over 2007.

We conclude that follow-up is required on this recommendation.

Petroleum Storage Tanks (2005 Annual Report, Part 2.6; 2007 Annual Report, Part 3.2.8)

Introduction In 2005, we performed a review of petroleum storage tanks. We undertook this review to determine whether the Department of Environment and Conservation and the Government Service Centres had satisfactory systems and processes in place to administer the petroleum storage system registration process under the *Storage and Handling of Gasoline and Associated Products Regulations, 2003*; adequately monitor, through the inspection process, the condition of storage systems within the Province to protect the environment on a proactive basis; and enforce compliance with environmental legislation and conditions of approval.

What we found Overall, we had significant concerns with the adequacy of systems and processes to register and inspect petroleum storage systems, and the enforcement of compliance with environmental legislation. Specifically:

- information obtained through the registration process was not verified;
 - the Department of Environment and Conservation's database was not used to assess risk for purposes of scheduling inspections;
 - inspections were not always performed by the Government Service Centres within established frequencies;
 - inspectors did not always perform verification of information provided by operators during the inspection process;
 - issues identified during inspections were not always followed-up; and
 - Government Service Centres had not been diligent in enforcing the removal of abandoned tanks and the Department of Environment and Conservation had not taken any enforcement action for facilities that had not registered petroleum storage systems as required.
-

Our follow-up We first monitored this item in 2007. While the Department of Environment and Conservation and the Department of Government Services reported that some recommendations had been addressed, outstanding items remained. In February 2009, we contacted both departments requesting an update as to any further progress made on the following recommendations included in our 2005 Report:

Petroleum Storage Tanks
(2005 Annual Report, Part 2.6; 2007 Annual Report, Part 3.2.8)

1. *The Department of Environment and Conservation should ensure compliance with its legislative requirements and work closely with the Department of Government Services to ensure that all requirements of their Memorandum of Understanding are met.*
2. *The Department of Government Services should ensure that all petroleum storage systems have been registered as required under the Storage and Handling of Gasoline and Associated Products Regulations, 2003.*

The updates provided by the departments in response to our request are contained in this Report.

**Overall
conclusion**

Since our initial review in 2005, the Department of Environment and Conservation still has not made progress on recommendation number 1 in ensuring all petroleum storage systems other than home heating systems less than 2,500 litres are registered in accordance with the *Storage and Handling of Gasoline and Associated Products Regulations, 2003*. For example:

- Although the systems were to be registered by 30 November 2004, as of March 2009, the Department still had to review 4,124 systems that had been previously issued a certificate of approval but were not yet registered. This is a decrease of only 141 tanks from the 4,265 systems reported in 2007.
- In 2007, the Department reported that 1,686 registrations were being followed-up to determine the Certificate of Approval number; however, currently there are 1,688 registrations to be followed-up, an increase of two registrations.

We conclude that further follow-up is required on this recommendation.

Recommendation No. 1

The Department of Environment and Conservation should ensure compliance with its legislative requirements and work closely with the Department of Government Services to ensure that all requirements of their Memorandum of Understanding are met.

**Entity's
response from
previous report**

The Department of Environment and Conservation indicated in its response to the 2007 follow-up report request that:

- information on 5,837 approved tank systems (including tank modifications) had been compiled into a Certificate of Approval database. Of the 5,837 approved tank systems, 1,572 tank systems had been classified, therefore, there were 4,265 approved tank systems left to review; and
 - information on all applications that had been forwarded from the GSC had been entered into the Registration database. Of the 3,550 registrations, 1,533 indicated the Certificate of Approval number, 331 tanks were installed since 2004 and would not have had an associated Certificate of Approval, and 1,686 registrations were being followed-up to determine the Certificate of Approval number.
-

**Entity's
response to
standard
questions**

In 2009, the Department of Environment and Conservation was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)
Response: "Yes"
 - If still applicable, do you agree with original recommendation? (Yes/No)
Response: "Yes"
 - If you agree with recommendation, has it been implemented? (Yes/No)
Response: "Yes"
-

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department of Environment and Conservation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

What is the status of the 4,265 approved tank systems that were left to review?

Response:

“Upon further review, it has been found that there were 48 duplicated records in amongst the 5,837 records. Therefore, the number of approvals in the database was reduced from 5,837 to 5,789. An additional 93 tank systems were classified bringing the total number up to 1,665 from 1,572. Therefore, the number of tank systems left to review is 4,124. The 141 difference is accounted for by the removal of 48 duplicate records and the classification of 93 systems.”

We disagree that the recommendation has been implemented as the Department still has to review 4,124 systems that had been previously issued a certificate of approval but are not yet registered. This is a decrease of only 141 tanks from the 4,265 systems reported in 2007.

Question No. 2:

What is the status of the 1,686 registrations that were being followed-up to determine the Certificate of Approval number?

Response:

“During 2008 an additional 236 registrations were added to the database. This brought the total number of registrations up to 3,786 from 3,550. Of these new 236 registrations: 109 were for new systems; 22 were existing and provided a Certificate of Approval number; 42 were existing and did not provide a Certificate of Approval number; 30 appear to have been previously registered; and 33 did not have enough information to determine whether they were new or existing. Therefore, of the 3,786 registrations, 1,555 indicated the Certificate of Approval number, 440 were installed since 2004 and would not have an associated Certificate of Approval, and 1,791 were being followed-up. Through our investigation the number of systems indicating a Certificate of Approval number has increased by 103 bringing the total from 1,533 to 1,658. Therefore there are 1,688 [1791-103] which need to be followed-up to determine Certificate of Approval numbers.

Progress in 2008 was hindered as a result of the increased activity with respect to the heating oil storage tank system registration deadline of March 31, 2009 which may be found in the Heating Oil Storage Tank System Regulations, 2003. It is anticipated that, for the same reason, progress will also be hindered in 2009. Staff will refocus on above related issues once the heating oil storage tank system registration deadline has passed and time permits. It may be possible to enlist some assistance from Government Service Centre regional staff to help find information to assist in both of these tasks through their records and, perhaps, site visits when they are otherwise in a particular area. It may also be possible to enlist some assistance from other departmental staff if their schedules allow for some access to their services.

Updating and verifying the information related to these regulations is very time consuming for a number of reasons, including:

- The Regulations do not require that a tank removal be reported to the department. Tanks may be removed without Departmental knowledge.
- Many mobile above-ground tanks had moved around the Province and ownership had changed several times prior to disposing of tanks. This makes it very difficult to determine what in fact happened to the tanks.
- Often new ownership do not know what happened to tanks owned by previous owners.
- Record keeping can be deficient amongst companies. Even larger companies do not have good records going back to the implementation of these regulations. Records seldom link tanks with specific locations.”

We disagree that the recommendation is implemented. In 2007, the Department reported that 1,686 registrations were being followed-up to determine the Certificate of Approval number. However, currently there are 1,688 registrations to be followed-up, an increase of 2 registrations. The Department indicated that the updating and verification of information related to petroleum storage tanks is a time-consuming process, and that additional assistance would be required.

**Our
conclusion**

Follow-up Required

The Department of Environment and Conservation indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is implemented.

However, we disagree that the recommendation is implemented as the Department still has to review 4,124 systems that had been previously issued a certificate of approval but are not yet registered. This is a decrease of only 141 tanks from the 4,265 systems reported in 2007.

Furthermore, in 2007, the Department reported that 1,686 registrations were being followed-up to determine the Certificate of Approval number; however, currently there are 1,688 registrations to be followed-up, an increase of 2 registrations. The Department indicated that the updating and verification of information related to petroleum storage tanks is a time-consuming process, and that additional assistance would be required.

Recommendation No. 2

The Department of Government Services should ensure that all petroleum storage systems have been registered as required under the Storage and Handling of Gasoline and Associated Products Regulations, 2003.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to the 2007 follow-up report request that while the Department of Environment and Conservation had provided the Government Services' regional offices with their database information, "live" database access was still not available due to software restrictions. The Department also stated that database improvements recommended by Government Services had not yet been incorporated by the Department of Environment and Conservation and the Office of the Chief Information Officer.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Department of Environment and Conservation provided “live” access to their database? If not, when is “live” access expected?

Response:

“No. Live access to the database in its present form is not expected as the database is now planned to be replaced or revised significantly to address outstanding concerns and “live data” issues.”

Question No. 2:

Have database improvements as recommended by the Department of Government Services been incorporated by the Department of Environment and Conservation? If not, when are improvements expected to be made?

Response:

“No. Improvements to the database in its present form are not expected as the database is now planned to be replaced or revised significantly to address outstanding concerns and “live data” issues.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.



Highlights

Highlights of an update on the review of Water Quality Management for the period from May 2001 to November 2003.

Purpose of Our Review

In 2004, we performed a review of Water Quality Management to determine whether Government's commitments outlined in the May 2001 report *Source to Tap - Water Supplies in Newfoundland and Labrador*, have been met.

The review did not address areas for which municipalities have primary responsibilities: water treatment and water system operation and maintenance.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.8

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Water Quality Management

2004 Annual Report, Part 2.15; Updates 2006, Part 3.2.11 and 2007, Part 3.2.7

Recommendations

We first monitored this item in 2006. While the Department of Environment and Conservation (the Department) reported that some recommendations had been addressed, outstanding items remained. In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2004 Report:

1. *Government should continue with efforts to protect the remaining public water supplies in the Province through designating areas around public water resources as protected under the Water Resources Act.*
2. *Government should conduct Trihalomethanes (THM), other chemical water quality testing and microbiological water quality testing in accordance with the commitment contained in the Source to Tap report and in accordance with Provincial standards.*

Areas of Disagreement

None.

Overall Conclusion

Since our review in 2004, the Department has taken action to address all findings and recommendations. The Department has protected additional water supplies and has developed a new policy directive which is now being followed as the Provincial reference document for drinking water quality monitoring and reporting. The Department has also developed a plan for ongoing inspection of each water supply system, and inspection reports are to be analysed for follow-up action and stored in a Provincial database for future reference and follow-up.

We conclude that no follow-up is required on this Report because all of our recommendations have been implemented.

Water Quality Management

(2004 Annual Report, Part 2.15; Updates: 2006, Part 3.2.11 and 2007, Part 3.2.7)

Introduction In 2004, we performed a review of Water Quality Management. We conducted our review to determine whether Government's commitments outlined in the May 2001 report *Source to Tap – Water Supplies in Newfoundland and Labrador*, have been met. Our review covered the period from May 2001 to November 2003.

The review did not address areas for which municipalities have primary responsibilities: water treatment and water system operation and maintenance.

What we found As a result of our review, we reached the overall conclusion that while Government was making progress toward its commitments outlined in its *Source to Tap* report, it had not met all these commitments and was not always complying with Provincial standards for monitoring drinking water. Specifically:

Source protection

As of October 2003, 256 of the 532 (48%) public water supplies were not protected. Under the *Water Resources Act*, the Department of Environment and Conservation may designate areas around a public water resource as protected.

Water quality monitoring

The Department of Environment and Conservation was not conducting Trihalomethanes (THM) and other chemical water quality testing in accordance with the commitment contained in the *Source to Tap* report or in accordance with Provincial standards. The number of communities and public water supplies in the Province known to have THM levels above the maximum acceptable concentration was increasing. In addition, the Department of Government Services was not conducting microbiological water testing in accordance with the *Source to Tap* report commitment or in accordance with Provincial standards. Such testing determines the total coliforms and E. coli in water supplies.

Water quality reporting

Government had not met the commitments made in the *Source to Tap* report regarding reporting of water quality data. These commitments include reporting annually to the House of Assembly, providing drinking water quality data to the public, and reporting annually to the operator of each public water supply system in the Province.

Regulatory inspection and mitigation planning

The Department of Environment and Conservation was not inspecting water systems under the *Water Resources Act* in accordance with the commitment contained in the *Source to Tap* report. While the commitment was to conduct these inspections at least once each year, Department officials indicated that inspections were conducted only when operational problems were encountered, relating to a proposed upgrade, or in response to infrastructure funding need assessment.

Operator education and training

Certification of water system operators was on a voluntary basis with mandatory certification being an area that required further attention.

Our follow-up

We first monitored this item in 2006. While the Department of Environment and Conservation (the Department) reported that some recommendations had been addressed, outstanding items remained. In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2004 Report:

1. *Government should continue with efforts to protect the remaining public water supplies in the Province through designating areas around public water resources as protected under the Water Resources Act.*
2. *Government should conduct Trihalomethanes (THM), other chemical water quality testing and microbiological water quality testing in accordance with the commitment contained in the Source to Tap report and in accordance with Provincial standards.*

The updates provided by the Department in response to our request are contained in this Report.

Overall conclusion

Since our review in 2004, the Department of Environment and Conservation has taken action to address all findings and recommendations. The Department has protected additional water supplies and has developed a new policy directive which is now being followed as the Provincial reference document for drinking water quality monitoring and reporting. The Department has also developed a plan for ongoing inspections of each water supply system, and inspection reports are to be analysed for follow up action and stored in a Provincial database for future reference and follow-up.

We conclude that no further follow-up is required on this Report because all of our recommendations have been implemented.

Recommendation No. 1

Government should continue with efforts to protect the remaining public water supplies in the Province through designating areas around public water resources as protected under the Water Resources Act.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 follow-up report request that:

- in 2005-06, 12 water supply areas were protected and 1 was repealed; and
 - in 2006-07, 16 water supply areas were protected and 2 were repealed.
-

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has there been further improvement to the number of municipalities that have designated public water supplies as protected?

Response:

“Yes. In 2007-08, three water supplies were protected, two were amended and one was repealed. When water supplies are not in use due to the development of a new water supply source or amalgamation with nearby communities, redundant protected water supplies are generally repealed.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 2

Government should conduct Trihalomethanes (THM), other chemical water quality testing and microbiological water quality testing in accordance with the commitment contained in the Source to Tap report and in accordance with Provincial standards.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 follow-up report request that chemical sampling and testing of public water supplies had resumed as normal since the vacant position in the Corner Brook office had been filled. It now had a web page where the annual water testing schedule for the coming year was posted. The schedule for 2007-08 was posted and it was detailed to show the sample type, time and location for each public water supply in the Province.

For the western region:

- in 2005-06, 1,050 samples were scheduled and 863 (82%) were actually collected; and
- in 2006-07, 1,051 samples were scheduled and 977 (93%) were actually collected.

The western regional office includes Labrador where:

- in 2005-06, 212 samples were scheduled and 204 (96%) were collected and;
- in 2006-07, 262 samples were scheduled and 244 (93%) were actually collected.

It was also indicated that while every reasonable effort would be made to collect all of the drinking water quality samples listed in the schedule, circumstances such as inaccessibility to the site, lack of necessary chlorination, sample spoilage, or other factors would result in a certain percentage of missed samples. Data gaps would be filled on a priority basis.

Water Quality Management

(2004 Annual Report, Part 2.15; Updates: 2006, Part 3.2.11 and 2007, Part 3.2.7)

As well, special inspections were generally undertaken if problems were reported or noted as follows:

- in 2005-06, there were 121 water and sewer inspections, 35 public groundwater supply inspections and 25 protected surface water inspections; and
- in 2006-07, there were 87 water and sewer inspections, 275 public groundwater supply inspections and 48 protected surface water inspections.

In addition to this, staff visit each public water supply 2 to 4 times per year as per sampling schedule and once per year in connection with on-site training.

Entity's response to specific questions

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Are water testing samples and inspections still being carried out in accordance with the *Source to Tap* report?

Response:

“Yes. In 2007-08, there were two vacancies in the Eastern office, one was vacant for the period of April-November and the other was vacant for the period June-November.

For the Central region in 2007-08, 759 samples were scheduled and 595 (78%) were actually collected;

for the Eastern region, 1,079 samples were scheduled and 861 (80%) were actually collected;

for the Labrador region, 219 samples were scheduled and 198 (90%) were actually collected; and

for the Western region, 839 samples were scheduled and 751 (90%) were actually collected.

Water Quality Management

(2004 Annual Report, Part 2.15; Updates: 2006, Part 3.2.11 and 2007, Part 3.2.7)

Overall, in 2007-08 2,896 samples were scheduled and 2,405 (83%) were actually collected.

As a part of provincial rural drinking water safety initiative, the Department has developed a plan for ongoing inspections of each water supply system. Inspection reports are to be analysed for follow up action and stored in a provincial database for future reference and follow ups.

In 2007-08 there were 135 water and sewer inspections, 133 public groundwater supply inspections and 11 protected surface water inspections.”

Our conclusion

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Water Quality Management

(2004 Annual Report, Part 2.15; Updates: 2006, Part 3.2.11 and 2007, Part 3.2.7)



Highlights

Highlights of an update on the review of the Liquor Licensing and Enforcement Program for fiscal years 2002 to 2005.

Purpose of Our Review

In 2006, we performed a review of the Corporation, Licensing and Enforcement Division to complete the examination of issues identified in the Liquor Licensing and Enforcement Program that we started in 2004 and to conduct an additional review in 2005 of licensee files maintained by the Corporation. In particular, our objectives were to:

- determine how licensing and enforcement issues identified in our 2004 review were resolved by the Corporation and
- review the administration of the Liquor Licensing and Enforcement Program at the Corporation.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.9

DEPARTMENT OF FINANCE

Liquor Licensing and Enforcement
2006 Annual Report, Part 2.6

Recommendations

In February 2009, we contacted Newfoundland and Labrador Liquor Corporation (the Corporation) requesting an update as to any progress made on the following recommendations that were included in our 2006 Report:

1. *The Corporation should ensure that licenses are issued consistently and in accordance with the Liquor Control Act and Regulations.*
2. *The Corporation should ensure that the Act and Regulations are enforced in a consistent and timely manner.*
3. *The Corporation should establish guidelines for the Director of Regulatory Services used in determining under what circumstances an enforcement issue should be brought to the Tribunal for review.*
4. *The Corporation should ensure that the database containing licensee information is kept up-to-date.*
5. *The Corporation should adopt a strategic risk-based approach for planning inspections.*
6. *The Corporation should establish inspection frequencies for the various license categories.*

Areas of Disagreement

While the Newfoundland and Labrador Liquor Corporation has taken action to address four of the six recommendations from our 2006 Report, we disagree with the Corporation's response regarding recommendation numbers 1 and 6. In particular:

- *The Corporation should ensure that licenses are issued consistently and in accordance with the Act and Regulations.*

The Corporation indicated that this recommendation has been implemented. In our 2006 Report, we found instances where licences were issued in contravention of the *Act* and *Regulations*. One instance related to approval of a request to allow alcohol to be removed from licensed premises and be consumed on the street. During our current update process, an official from the Corporation indicated that the legislation was not changed to allow this and that similar events are still being approved. The official further indicated that the Board is of the opinion that it has discretion under legislation to approve requests of this nature. We maintain that the legislation prohibits alcohol being removed from licensed premises.

- *The Corporation should establish inspection frequencies for the various license categories.*

The Corporation indicated that the recommendation is no longer applicable, and that accordingly, they disagree with the original recommendation, and that the recommendation has not been implemented. While the Corporation maintains that when inspectors are in a community they attempt to visit all categories of licenses during routine visits, we maintain that inspection frequencies for various licence categories should be established on a more formal basis.

Overall Conclusion

Given the Corporation's position on these recommendations, further follow-up by this Office would be of no benefit.

Introduction In 2006, we reported on a review of the Newfoundland and Labrador Liquor Corporation (the Corporation) Licensing and Enforcement Division. We conducted our review to complete the examination of issues identified in the Liquor Licensing and Enforcement Program review that we started in 2004 and to conduct an additional review in 2005 of licensee files maintained by the Corporation. In particular, our objectives were to determine how licensing and enforcement issues identified in our 2004 review were resolved by the Corporation and to review the administration of the Liquor Licensing and Enforcement Program at the Corporation.

What we found As a result of our review, we reached the following overall conclusions:

Our review identified instances where the Corporation issued licences inconsistently and in contravention of the *Liquor Control Act* and *Regulations*. We also found that violations by licencees were not resolved in a timely and consistent manner. In particular:

2004 Review

Licences/requests issued inconsistently or approved in contravention of the *Act* and *Regulations*

We identified issues with 10 licence applications or requests. These issues included 2 instances where applications were denied when similar applicants had been issued a licence, and 8 instances where applicants were issued licences or requests were approved in contravention of the *Act* and *Regulations*.

Unresolved enforcement issues

In our review of enforcement issues, we found that there were unresolved enforcement issues in 4 enforcement files reviewed. As at November 2005, the time elapsed since the violations were identified ranged from 3 months to 44 months.

2005 Review

Licence issued in contravention of the *Regulations*

We identified an issue with 1 of the applications where a licence was transferred several years ago to an applicant with a lengthy criminal history. The licence was renewed each year since then. Since the initial transfer, the licensee had been convicted of four additional criminal charges. Issuing this licence was a violation of the *Regulations*.

Inconsistent actions taken by the Tribunal and delays in disciplinary action

Licensees were treated inconsistently by a Tribunal of Board members and disciplinary action did not occur in a timely manner.

Other issues

We also found that inspection planning was inadequate, there were no guidelines for referring enforcement issues to the Tribunal, and the licensee database was not current.

Our follow-up In February 2009, we contacted the Corporation requesting an update as to any progress made on the following recommendations that were included in our 2006 Report:

- 1. The Corporation should ensure that licences are issued consistently and in accordance with the Act and Regulations.*
- 2. The Corporation should ensure that the Act and Regulations are enforced in a consistent and timely manner.*
- 3. The Corporation should establish guidelines for the Director of Regulatory Services used in determining under what circumstances an enforcement issue should be brought to the Tribunal for review.*
- 4. The Corporation should ensure that the database containing licensee information is kept up-to-date.*
- 5. The Corporation should adopt a strategic risk-based approach for planning inspections.*
- 6. The Corporation should establish inspection frequencies for the various licence categories.*

The updates provided by the Corporation in response to our request are contained in this Report.

**Overall
conclusion**

While the Newfoundland and Labrador Liquor Corporation has taken action to address four of the six recommendations from our 2006 Report, we disagree with the Corporation's response regarding the recommendation numbers 1 and 6. In particular:

- *The Corporation should ensure that licenses are issued consistently and in accordance with the Act and Regulations.*

The Corporation indicated that this recommendation has been implemented. In our 2006 Report, we found instances where licences were issued in contravention of the *Act* and *Regulations*. One instance related to approval of a request to allow alcohol to be removed from licensed premises and be consumed on the street. During our current update process, an official from the Corporation indicated that the legislation was not changed to allow this and that similar events are still being approved. The official further indicated that the Board is of the opinion that it has discretion under legislation to approve requests of this nature. We maintain that the legislation prohibits alcohol being removed from licensed premises.

- *The Corporation should establish inspection frequencies for the various license categories.*

The Corporation indicated that the recommendation is no longer applicable, and that accordingly, they disagree with the original recommendation, and that the recommendation has not been implemented. While the Corporation maintains that when inspectors are in a community they attempt to visit all categories of licenses during routine visits, we maintain that inspection frequencies for various licence categories should be established on a more formal basis.

Given the Corporation's position on these recommendations, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Corporation should ensure that licences are issued consistently and in accordance with the Act and Regulations.

**Entity's
response from
previous report**

The Corporation indicated in its response to our 2006 Report that all routine licences were issued consistently and in accordance with the *Act* and *Regulations*. It was also indicated that where an application for licence requires Board review for various reasons, the Board has discretion under this legislation in its deliberations.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

- How many licence applications were approved for the 2008 fiscal year and the 2009 fiscal year to-date?

Response:

“1 April 2007 - 31 March 2008: 626 licences
1 April 2008 - to date: 625 licences”

- How many were declined for the same time period?

Response: “None”

Question No. 2:

How many applications received during the 2008 fiscal year and the 2009 fiscal year to date warranted a Board review? What was the outcome of the Board's review of those applications?

Response:

“No applications were required to be forwarded to the Board.”

**Our
conclusion**

Follow-up Not Required

The Corporation indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is implemented.

With respect to licences being issued consistently, we agree that our recommendation has been implemented.

With respect to licences being issued in accordance with the *Act* and *Regulations*, we disagree that the recommendation has been implemented. In our 2006 Report, we found instances where licences were issued in contravention of the *Act* and *Regulations*. One instance related to approval of a request to allow alcohol to be removed from licensed premises and be consumed on the street. During our current update process an official from the Corporation indicated that:

- the legislation was not changed to allow this and that similar events are still being approved; and
- the Board is of the opinion that it has discretion under legislation to approve requests of this nature.

We maintain that the legislation prohibits alcohol being removed from licensed premises. However, given the Corporation's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 2

The Corporation should ensure that the Act and Regulations are enforced in a consistent and timely manner.

**Entity's
response from
previous report**

The Corporation indicated in its response to our 2006 Report that it had increased the number of hearings to address violations and to ensure disciplinary action is taken in a timely manner.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

How many hearings were conducted to address violations of the *Act* and *Regulations* for the 2008 fiscal year and the 2009 fiscal year to date?

Response:

“2008 fiscal year: 18 hearings
2009 fiscal year to date: 16 hearings”

Question No. 2:

For the 2008 fiscal year and the 2009 fiscal year to date, what was the average time between when a violation occurred and when a hearing is held on the violation?

Response:

“As can be seen throughout the documentation, numerous requests are received from lawyers &/or licensees as a result of scheduling conflicts both legal & personal reasons &/or medical appointments. On the advice of our solicitor, failure to provide a postponement, which is reasonable in nature, would in all probability result in a Court challenge.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation's actions have addressed our recommendation.

Recommendation No. 3

The Corporation should establish guidelines for the Director of Regulatory Services used in determining under what circumstances an enforcement issue should be brought to the Tribunal for review.

**Entity's
response from
previous report**

The Corporation indicated in its response to our 2006 Report that while there are verbal guidelines in-place, NLC recognizes that these guidelines should be documented.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

- Has the Corporation documented any guidelines for the Director of Regulatory Services to use in determining under what circumstances an enforcement issue should be brought to the Tribunal for review?

Response: "Yes"

- If so, when were the guidelines documented?

Response:

"Formal direction in 1998 and reaffirmed in April 2007. Director is responsible for reviewing all contraventions in the Exception Category and determining if there is a reasonable expectation of a successful prosecution taking into consideration the allegations and past history of the licensee."

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation's actions have addressed our recommendation.

Recommendation No. 4

The Corporation should ensure that the database containing licensee information is kept up-to-date.

**Entity's
response from
previous report**

The Corporation indicated in its response to our 2006 Report that since the transfer of licensing and inspections services to the Corporation from the Government Services Centre (GSC), the database has been updated and kept current.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Is the database containing licensee information current?

Response:

“To the extent possible, the database is maintained current based on any changes that are identified by the Inspector in the field and by the licensing staff when various applications (i.e. applications for minors, extension of premises, alter and renovate etc.) are submitted for consideration. The legal entities are confirmed by requiring a current Form 6 (Officers and Directors) from the Department of Government Services.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation's actions have addressed our recommendation.

Recommendation No. 5

The Corporation should adopt a strategic risk-based approach for planning inspections.

**Entity's
response from
previous report**

The Corporation indicated in its response to our 2006 Report that since the review and completion of the hiring of new inspectors and a supervisor in late 2005, a normal risk-based approach has been implemented for routine inspections.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Could you explain how the normal risk-based approach being used by the Corporation operates? For example, what factors are considered in assigning risk?

Response:

“The NLC uses the following information as part of a risk based approach to planning and scheduling routine inspections:

- Results of previous inspections;
- Intelligence received and gathered by Inspectors; and
- Intelligence received from the general public, police forces, government agencies, licensees and complainants.

The Inspectors identify the various communities, in which they will be working, a month in advance. The plan enables the Inspectors to complete any task/investigation and to follow-up any problem areas identified by themselves or the Supervisor, based on the factors listed above.

The Inspectors have recently been instructed that additional information will be required on their monthly plan, justifying why it's necessary to visit various communities/licensees at designated times.

In October 2008 a procedure was implemented which provided a monthly summary report for each Inspector detailing all routine inspections undertaken and the results of each.

Investigations/complaints/inspections are assigned a completion date. The length of time assigned to complete the task is determined by the Supervisor and is based on the seriousness and nature of the complaint. The factors considered in determining the seriousness are:

- Existence of contraband;
- Presence of minors on the premises and/or consuming;
- Life threatening situations; and
- Sale and consumption after hours.

These non-routine inspections are monitored by the Supervisor. Should the task not be completed within the allocated time period a new completion date is requested by the Inspector or followed-up by the Supervisor who assigns a new completion date.”

Question No. 2:

Has the number of routine inspections increased with the hiring of new inspectors and supervisors for the 2008 fiscal year and the 2009 fiscal year-to-date? How many routine inspections have been conducted during these periods?

Response:

“In 2007/2008: 2,700
April 1, 2008 – January 2009: 2,449”

Question No. 3:

Is the risk based approach to inspections working as expected? Are there any areas where you feel it could be improved?

Response:

“We are satisfied with the results obtained; however, improvements can be achieved through more detailed formalization of the procedure.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation’s actions have addressed our recommendation.

Recommendation No. 6

The Corporation should establish inspection frequencies for the various licence categories.

**Entity's
response from
previous report**

The Corporation indicated in its response to our 2006 Report that with the completion of the hiring of a new inspectors and supervisor to coordinate the activities of the inspectors in the various regions in the Province, inspection frequencies for the various licence categories have increased and are better coordinated.

**Entity's
response to
standard
questions**

In 2009, the Corporation was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable (Yes/No)?

Response:

“No - When inspectors are in a community they attempt to visit all categories of licences during routine visits.”

We disagree that the recommendation is no longer applicable. The Corporation maintains that when inspectors are in a community, they attempt to visit all categories of licensees during routine visits. We maintain that inspection frequencies for various licence categories should be established on a more formal basis.

- If still applicable, do you agree with original recommendation (Yes/No)?

Response: “No”

- If you agree with recommendation, has it been implemented (Yes/No)?

Response: “No, N/A”

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following section.

Question No. 1:

What are the inspection frequencies for the various licence categories and how were they determined?

Question No. 2:

Are the inspection frequencies reviewed occasionally and changed as required?

Question No. 3:

Were licensees inspected with the required frequency for the 2008 fiscal year and the 2009 fiscal year to date?

Question No. 4:

In cases where inspection frequencies were not met, what is the reason?

Response to all questions:

“The Corporation continues to improve its inspection program by ensuring that all categories of licences are monitored on a regular basis when the Inspector is in a community. If there is a licence with a history of problems the Inspector would monitor that licensee more closely and in some cases with the cooperation of the local police authority.”

**Our
conclusion**

Follow-up Not Required

The Corporation indicated that the recommendation is no longer applicable and accordingly, they disagree with the original recommendation and the recommendation has not been implemented.

We disagree that the recommendation is no longer applicable. The Corporation maintains that when inspectors are in a community, they attempt to visit all categories of licensees during routine visits. We maintain that inspection frequencies for various licence categories should be established on a more formal basis. Given the Corporation’s position on this recommendation, further follow-up by this Office would be of no benefit.



Highlights

Highlights of an update on the review of the Newfoundland Government Fund Limited (NGF).

Purpose of Our Review

In 2006, we performed a review of the Newfoundland Government Fund Limited (NGF) of the Department of Finance (the Department) to determine:

- if investor funds in escrow are being closed on a timely basis and invested in eligible projects within the required 9 months;
- if investment activity since our last review in 2000 has complied with the *Immigration Act* (Canada), *Immigration Regulations, 1978* and the Confidential Offering Memorandum; and
- if investments are being appropriately managed for the benefit of the Fund and its investors.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/og. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.10

DEPARTMENT OF FINANCE

Newfoundland Government Fund Limited
2006 Report, Part 2.8

Recommendations

In February 2009, we contacted the Chair of the Board of Directors for the Newfoundland Government Fund requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Board of Directors of the Newfoundland Government Fund Limited (the Board) should, in collaboration with legal counsel, review all available legal and other options to the extent possible to recover its investments or secure its assets.*
2. *The Board should approve all changes in interest rates paid to investors.*
3. *The Board should resolve the remaining compliance issues relating to the Immigration Regulations, 1978.*
4. *The Board should decide on the appropriate course of action with respect to the investors still in escrow.*
5. *The Board should comply with Treasury Board direction.*

Areas of Disagreement

None.

Overall Conclusion

The Chair of the Board of Directors for the Newfoundland Government Fund reported that, since our review in 2006, the Board has taken action to address all findings and recommendations. The Board of Directors of the NGF has repaid all investors and the 11 escrow investors that remained in the escrow account have been transferred to the Government of Canada Immigrant Investor Fund. The transfer cost Government \$138,750 in distribution fees.

As well, since both the investments in Hospital Leasing Services Inc. (HLSI) and School Leasing Services Inc. (SLSI) were not repaid, the Board did not have sufficient funds to repay investors. Consequently the Government provided \$1.6 million to NGF in 2007-08 to allow for the orderly repayment of investors. NGF has commenced legal action seeking recovery of its losses on HLSI and SLSI.

We conclude that no follow-up is required on this Report because all of our recommendations have been implemented.

Introduction In 2006, we performed a review of the Newfoundland Government Fund Limited (NGF) of the Department of Finance (the Department). We conducted our audit to determine if investor funds in escrow are being closed on a timely basis and invested in eligible projects within the required 9 months; if investment activity since our last review in 2000 has complied with the *Immigration Act* (Canada), *Immigration Regulations, 1978* and the Confidential Offering Memorandum (COM); and if investments are being appropriately managed for the benefit of the Fund and its investors.

What we found As a result of our review, we reached the following overall conclusions:

NGF invested the majority of its investment funds (\$14.13 million) in two major projects: (i) construction of a hospital in Bonne Bay (\$9.4 million), the first advance of which was made in November 1999; and (ii) construction of a school in Lawn (\$4.73 million), the first advance of which was made in September 2002. These investments represented approximately 70% of the proceeds from the COM for 81 investors. Under the *Regulations* the money is to be invested for a minimum of 5 years.

Serious concerns with management and administration of the projects

We identified serious concerns with the management and administration of the Bonne Bay hospital project (invested with Hospital Leasing Services Inc.), and the Lawn school project (invested with School Leasing Services Inc.) which have led to an estimated loss to NGF of \$1.449 million.

Hospital Leasing Services Inc. was to repay a \$9.4 million loan to NGF within 5 years (i.e. 19 December 2005). However, on 29 November 2004 Hospital Leasing Services Inc. defaulted on its initial \$5 million payment to NGF. At that point, the company had transferred most of the accumulated surplus cash (approximately \$829,000) to Marco Services Limited, a related company of Hospital Leasing Services Inc., without the approval of NGF. NGF never requested audited financial statements until after the company had defaulted on the loan. The financial statements would have shown construction costs of \$10.124 million, \$724,000 in excess of the authorized cost. This \$724,000 and interest of \$105,000 comprised the \$829,000 that was transferred to Marco Services Limited.

School Leasing Services Inc. is to repay a \$4.73 million loan to NGF within 5 years (i.e. 6 September 2007). As of 30 April 2006, School Leasing Services Inc. has transferred \$485,000 of accumulated cash to Marco Services Limited as partial settlement of the \$675,000 payable related to increased construction costs, without the approval of NGF. The \$190,000 balance owing to Marco Services Limited is reported in School Leasing Services Inc.'s financial statements for the year ended 30 April 2006.

Investors in escrow for as long as 8 years

Because NGF has had considerable difficulty in identifying eligible projects to invest in, 11 of the 92 total investors have remained in the escrow account for up to 8 years.

Non-compliance with the Regulations

Immigrant investor funds such as NGF must comply with the *Regulations* under the *Act*. Our review indicated instances of non-compliance with the *Regulations* such as: 74 units were not invested in eligible businesses within 9 months of being closed from the escrow account. To compensate, NGF increased the interest for the investors. The total estimated cost of this penalty interest is \$1,027,000.

Treasury board direction

The direction from Treasury Board dated 19 April 2005 was not complied with.

Our follow-up

In February 2009, we contacted the Chair of the Board of Directors (the Board) for NGF requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Board of Directors of the Newfoundland Government Fund Limited (the Board) should, in collaboration with legal counsel, review all available legal and other options to the extent possible to recover its investments or secure its assets.*
2. *The Board should approve all changes in interest rates paid to investors.*
3. *The Board should resolve the remaining compliance issues relating to the Immigration Regulations, 1978.*
4. *The Board should decide on the appropriate course of action with respect to the investors still in escrow.*
5. *The Board should comply with Treasury Board direction.*

The updates provided by the Board in response to our request are contained in this Report.

**Overall
conclusion**

The Chair of the Board of Directors (the Board) for the Newfoundland Government Fund reported that, since our review in 2006, the Board has taken action to address all findings and recommendations. The Board of Directors of the NGF has repaid all investors and the 11 escrow investors that remained in the escrow account have been transferred to the Government of Canada Immigrant Investor Fund. The transfer cost Government \$138,750 in distribution fees.

As well, since both the investments in Hospital Leasing Services Inc. (HLSI) and School Leasing Services Inc. (SLSI) were not repaid, the Board did not have sufficient funds to repay investors. Consequently the Government provided \$1.6 million to NGF in 2007-08 to allow for the orderly repayment of investors. NGF has commenced legal action seeking recovery of its losses on HLSI and SLSI.

We conclude that no follow-up is required on this Report because all of our recommendations have been implemented.

Recommendation No. 1

The Board of Directors of the Newfoundland Government Fund Limited (the Board) should, in collaboration with legal counsel, review all available legal and other options to the extent possible to recover its investments or secure its assets.

**Entity's
response from
previous report**

The Board indicated in its response to the 2006 Report that as a result of the transactions between the developers of the hospital and the school and a related construction company, NGF found itself in a position where, unless financial assistance was provided by the Province, the Corporation would not be able to meet its payment obligations to all holders of investment units. The Board also indicated that a request for financial assistance would be submitted to Government shortly. This assistance should satisfy any financial viability issues, and allow for the finalization of the 2004 and 2005 financial statements. In addition, NGF would seek direction from Government regarding recovery of the losses on its investments in the two projects.

**Entity's
response to
specific
questions**

The Board was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Have all financial obligations to the investors, related to principal and interest repayments, been met? If yes, how were the payments funded? (e.g. Government of Newfoundland and Labrador) and what was the total amount of financial assistance that was required to meet the financial obligations of NGF to its investors? If not, what is the plan to address these financial obligations?

Response:

“All financial obligations to investors, related to principal and interest payments, have been met. In order to cover these obligations, the Province provided NGF with financial assistance in the amount of \$1,600,000.”

Question No. 2:

We understand that NGF has taken legal action to recover all of investor advances. Who are the defendants in this legal action and what are the expectations related to the NGF case? Also, is there an estimate as to the legal costs and how are these costs to be funded should the action for recovery fail?

Response:

“NGF has commenced legal action seeking recovery of its losses on HLSI and SLSI... At this time, it is not possible to predict the outcome of the legal action. As to costs of the action, it is currently being handled by officials of the Department of Justice with no legal costs being directly incurred by NGF. Given the still preliminary nature of the action, it would be premature to speculate on future unrecoverable costs and funding sources. However, given that NGF has now been wound down to the point where its only significant activity is pursuit of the legal actions, it would not be unreasonable to expect that a future shortfall, if any, would be covered from Provincial resources.”

**Our
conclusion**

Follow-up Not Required

We agree that the Board's actions have addressed our recommendation.

Recommendation No. 2

The Board should approve all changes in interest rates paid to investors.

**Entity's
response from
previous report**

The Board indicated in its response to the 2006 Report that as a result of the transactions between the developers of the hospital and the school and a related construction company, NGF found itself in a position where, unless financial assistance was provided by the Province, the Corporation would not be able to meet its payment obligations to all holders of investment units. The Board also indicated that a request for financial assistance would be submitted to Government shortly. This assistance should satisfy any financial viability issues, and allow for the finalization of the 2004 and 2005 financial statements. In addition, NGF would seek direction from Government regarding recovery of the losses on its investments in the two projects.

**Entity's
response to
specific
questions**

The Board was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

Were there any other investors approved for additional interest other than those receiving additional interest as at the time of our review? If yes, were these additional investors approved by the Board of Directors?

Response:

“There were no other investors approved for additional interest other than those receiving same at the time of your review.”

**Our
conclusion**

Follow-up Not Required

We agree that the Board's actions have addressed our recommendation.

Recommendation No. 3

The Board should resolve the remaining compliance issues relating to the Immigration Regulations, 1978.

**Entity's
response from
previous report**

The Board indicated in its response to the 2006 Report that as a result of the transactions between the developers of the hospital and the school and a related construction company, NGF found itself in a position where, unless financial assistance was provided by the Province, the Corporation would not be able to meet its payment obligations to all holders of investment units. The Board also indicated that a request for financial assistance would be submitted to Government shortly. This assistance should satisfy any financial viability issues, and allow for the finalization of the 2004 and 2005 financial statements. In addition, NGF would seek direction from Government regarding recovery of the losses on its investments in the two projects.

**Entity's
response to
specific
questions**

The Board was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

We reported a number of situations where the investors will not have been invested for the required 5-year investment period. There are also several other situations where the investment period was doubtful. Has NGF addressed these issues with Citizenship and Immigration Canada officials to determine whether there are any financial or legal ramifications?

Response:

“All investors have either been repaid in full or their funds have been transferred to the Government of Canada’s Immigrant Investor Fund. NGF no longer has any obligation to any of the investors and any issues with respect to immigration requirements will be a matter for resolution between individual investors and Citizenship and Immigration Canada.”

Question No. 2:

Has NGF determined whether there are any *Immigration Act 1978* implications related to their failure to invest funds within the nine month timeframe of being removed from the escrow accounts?

Response:

“With the repayment and transfers of funds, there are no outstanding issues related to the *Immigration Act 1978*.”

Question No. 3:

Has NGF discussed the non-compliance under *Immigration Regulations, 1978* related to the failure to provide annual audited financial statements to Citizenship and Immigration Canada within 140 days after the end of each financial year?

Response:

“The preparation of financial statements has been deferred for several years due to uncertainty surrounding the ability of NGF to continue as a going concern. With the injection of funds by the Province, this uncertainty has now been resolved and Department officials are reviewing options with respect to the accounting treatment and timing of transactions and optimum approach to the preparation of financial statements. CIC has been aware of these issues and has not indicated any major concerns. Given that all investors have now been repaid, the Department expects that any outstanding matters with CIC will be easily resolvable.”

**Our
conclusion**

Follow-up Not Required

We agree that the Board’s actions have addressed our recommendation.

Recommendation No. 4

The Board should decide on the appropriate course of action with respect to the investors still in escrow.

**Entity's
response from
previous report**

The Board indicated in its response to the 2006 Report that as a result of the transactions between the developers of the hospital and the school and a related construction company, NGF found itself in a position where, unless financial assistance was provided by the Province, the Corporation would not be able to meet its payment obligations to all holders of investment units. The Board also indicated that a request for financial assistance would be submitted to Government shortly. This assistance should satisfy any financial viability issues, and allow for the finalization of the 2004 and 2005 financial statements. In addition, NGF would seek direction from Government regarding recovery of the losses on its investments in the two projects.

**Entity's
response to
specific
questions**

The Board was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

Has NGF transferred the 11 remaining investors in the escrow accounts to the Federal Immigration Program? If yes, were there any financial implications to NGF? Specifically, was NGF required to provide bridge funding for the increased investment requirement of \$400,000 per investor, and therefore incur additional interest cost? If the investors have not been transferred as yet, has a plan for these immigrants been agreed to with Immigration Canada officials?

Response:

“NGF has transferred the 11 escrow investors to the Government of Canada’s Immigrant Investor Fund. The total cost of this transfer to NGF was a distribution fee in the amount of \$138,750.”

**Our
conclusion**

Follow-up Not Required

We agree that the Board's actions have addressed our recommendation.

Recommendation No. 5

The Board should comply with Treasury Board direction.

**Entity's
response from
previous report**

The Board indicated in its response to the 2006 Report that as a result of the transactions between the developers of the hospital and the school and a related construction company, NGF found itself in a position where, unless financial assistance was provided by the Province, the Corporation would not be able to meet its payment obligations to all holders of investment units. The Board also indicated that a request for financial assistance would be submitted to Government shortly. This assistance should satisfy any financial viability issues, and allow for the finalization of the 2004 and 2005 financial statements. In addition, NGF would seek direction from Government regarding recovery of the losses on its investments in the two projects.

**Entity's
response to
specific
questions**

The Board was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Has Executive Council been made aware of the total cost NGF has incurred or will incur as a result of the shortfall between the amount needed to repay immigrant investors and the proceeds from the sale of the hospital?

Response:

“Not only is Executive Council aware of the total losses incurred through both the HLSI and SLSI transactions, but budgetary funding in the amount of \$1,600,000 was provided to NGF in 2007-08 to allow for the orderly repayment of investors.”

Question No. 2:

Have NGF officials advised Treasury Board of any actual or potential liability related to investors still in escrow?

Response:

“There are no investors in escrow and, therefore, no such actual or potential liabilities.”

**Our
conclusion**

Follow-up Not Required

We agree that the Board’s actions have addressed our recommendation.



Highlights

Highlights of an update on the review of the Food Premises Inspections and Licensing Program for the period 1 January 2004 to 31 March 2007.

Purpose of Our Review

In 2007, we performed a review of the Food Premises Inspection and Licensing Program to determine whether the Department of Government Services, through its Government Service Centres (GSC), and/or the Department of Health and Community Services (Department) were:

- complying with food premises inspection and licensing requirements;
- complying with the Memorandum of Understanding (MOU);
- monitoring the food inspection and licensing program; and
- were addressing deficiencies identified in our 2003 report.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.11

DEPARTMENT OF GOVERNMENT SERVICES

Food Premises Inspection and Licensing Program
2007 Annual Report, Part 2.7

Recommendations

In February 2009, we contacted the Department requesting an update as to any progress made on the following recommendations that were included in our 2007 Report:

1. *The GSC should comply with the Food Premises Regulations.*
2. *The GSC should ensure risk assessment worksheets are accurately completed as required under the MOU.*
3. *The GSC should comply with Department policy as follows: ensure that inspections are carried out in accordance with the uniform frequency required in the Risk Management Framework.*
4. *The GSC should comply with Department policy as follows: Environmental Health Officers (EHOs) should indicate on the inspection report when critical health hazards are corrected or controlled.*
5. *The GSC should comply with Department policy as follows: food premises should be closed where required.*
6. *The GSC should comply with Department policy as follows: food premises should be given a compliance date by which identified non-critical health hazards are to be corrected.*
7. *The GSC should comply with Department policy as follows: inspection reports scores should be accurately calculated.*
8. *The GSC, Department of Health and Community Services, and the Regional Integrated Health Authorities should evaluate the MOU annually as required.*
9. *The GSC should ensure information resulting from inspections is input into the database promptly. Inspection reports should be placed in the food premises files.*
10. *The Department of Health and Community Services should develop a policy to address the situation where the same critical health hazards continue to recur in consecutive inspections.*
11. *The GSC should provide the Department with an annual report as required.*
12. *The GSC should monitor inspection activity more closely to ensure that inspections are properly scheduled and carried out.*
13. *The GSC should staff the vacant EHO positions.*

Areas of Disagreement

We disagree with the Department's response to recommendation number 5 relating to closure of food premises. The Department holds the view that inspectors were appropriately applying their professional expertise and judgment in the application of their authority under the *Food Premises Regulations* to close a food establishment if required. We maintain that the Department should follow existing policy.

Overall Conclusion

The Department of Government Services has not fully addressed recommendation numbers 1, 3 and 11 from our 2007 Report and they are in the process of clarifying the policy related to closure of food premises (number 5). In addition, we are following-up with the Department of Health and Community Services regarding the recommendation related to evaluation of the MOU (number 8). We conclude that follow-up is required on these recommendations.

Introduction In 2007, we performed a review of the Food Premises Inspection and Licensing Program. We conducted our audit to determine whether the Department of Government Services, through its Government Service Centres (GSC), and/or the Department of Health and Community Services (Department) were:

- complying with food premises inspection and licensing requirements;
- complying with the Memorandum of Understanding (MOU);
- monitoring the food inspection and licensing program; and
- addressing deficiencies identified in our 2003 report.

What we found As a result of our review, we reached the following overall conclusions:

Not all of the deficiencies identified in our 2003 report had been addressed by the GSC. In particular:

Licensing of food premises

At the time of our review, 442 or 11% of food premises in the GSC database were indicated as operating without a valid licence as required by the *Regulations*. Furthermore, during the year ended 31 December 2006, we found that 35% of the food premises files that we examined in the database had operated without a valid licence for a period of time during the year. As a result, the GSC did not always ensure that food premises were operating with a valid licence as required by the *Regulations*.

Risk management

We found that food premises are not always assessed for health risk in accordance with the Risk Management Framework that was developed under the MOU between the GSC, the Department and the regional integrated health authorities.

Inspection of food premises

For the three year period ending 2006-07, the GSC did not carry out the required number of inspections for moderate and high risk food premises and carried out more inspections than required for low risk and seasonal food premises.

Information management

We found that the database was incomplete and inaccurate. Information resulting from inspections such as identified health hazards, compliance dates and inspection scores was not captured in the database. In addition, risk assessment score history and calculation detail was not maintained in the database. As a result, important health information was unavailable to the GSC, the Department, and the regional integrated health authorities.

Compliance with the MOU

The MOU is not evaluated on an annual basis as required. As a result, it may not be reflective of current practices and issues relating to food premises inspection and licensing. The GSC does not provide the Department with an annual report of statistical and narrative information on program activity as required under the MOU.

Management of the program

Monitoring of the program by the GSC was inadequate because the database used to monitor inspection activity was not accurate or complete; risk assessment score detail, inspection score detail, identified health hazards and hazard correction dates were not recorded in the database; and management did not always review completed inspection reports and risk assessment worksheets.

Our follow-up

In February 2009, we contacted the Department of Government Services and the Department of Health and Community Services requesting an update as to any progress made on the following recommendations that were included in our 2007 Report:

- 1. The GSC should comply with the Food Premises Regulations.*
- 2. The GSC should ensure risk assessment worksheets are accurately completed as required under the MOU.*
- 3. The GSC should comply with Department policy as follows: ensure that inspections are carried out in accordance with the uniform frequency required in the Risk Management Framework.*
- 4. The GSC should comply with Department policy as follows: Environmental Health Officers (EHOs) should indicate on the inspection report when critical health hazards are corrected or controlled.*

5. *The GSC should comply with Department policy as follows: food premises should be closed where required.*
6. *The GSC should comply with Department policy as follows: food premises should be given a compliance date by which identified non-critical health hazards are to be corrected.*
7. *The GSC should comply with Department policy as follows: inspection reports scores should be accurately calculated.*
8. *The GSC, Department of Health and Community Services, and the Regional Integrated Health Authorities should evaluate the MOU annually as required.*
9. *The GSC should ensure information resulting from inspections is input into the database promptly. Inspection reports should be placed in the food premises files.*
10. *The Department of Health and Community Services should develop a policy to address the situation where the same critical health hazards continue to recur in consecutive inspections.*
11. *The GSC should provide the Department with an annual report as required.*
12. *The GSC should monitor inspection activity more closely to ensure that inspections are properly scheduled and carried out.*
13. *The GSC should staff the vacant EHO positions.*

The updates provided by the Departments in response to our request are contained in this Report.

**Overall
conclusion**

We identified a total of 13 recommendations for follow-up from our 2007 Report: 11 recommendations related solely to the Department of Government Services; 1 recommendation related solely to the Department of Health and Community Services; and 1 recommendation related to the Department of Government Services, the Department of Health and Community Services, and the Regional Integrated Health Authorities. Our update as to progress in addressing these recommendations is as follows:

Department of Government Services

While the Department of Government Services has made progress in addressing the 11 recommendations related solely to that Department, 3 recommendations have not yet been fully addressed. To fully address the recommendation numbers 1, 3 and 11, the Department will need to:

- ensure that annual registrations are completed in a timely manner;
- meet inspection frequency targets of the Risk Management Framework; and
- provide the Department of Health and Community Services with an annual report.

We will continue to monitor progress related to implementation of the remaining recommendations.

In addition, the Department indicated that they did not agree with the recommendation that food premises should be closed where required (recommendation number 5). The Department maintains its position that food premises were not closed as required by policy because inspectors properly used their professional judgement in determining that the issues involved did not present a serious public health risk and that this type of judgement call is permitted under the *Food Premises Regulations*. We maintain that, as required by existing Department policy, “Where critical hazards are identified during an inspection and the next (second) inspection reveals critical hazards and the total critical hazard score is less than 48 in the second inspection, the food premises is to be closed.” The Department did, however, indicate that the Closure Policy/Guideline was being reviewed in consultation with the Department of Health and Community Services to clarify the guideline for inspectors in the field. Therefore, further follow-up is required on this recommendation with respect to clarification of the policy.

Department of Health and Community Services

Action was taken by the Department of Health and Community Services to address recommendation number 10.

Department of Government Services, the Department of Health and Community Services, and the Regional Integrated Health Authorities

Recommendation number 8 related to the Department of Government Services, the Department of Health and Community Services, and the Regional Integrated Health Authorities has not been implemented as the Department of Health and Community Services indicated that the Memorandum of Understanding between the parties has not been evaluated. We will continue to monitor progress related to implementation of this recommendation.

We conclude that follow-up is required on these recommendations

Recommendation No. 1

The GSC should comply with the Food Premises Regulations.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that most of the food premises found to be operating without a valid licence were the result of direct effects of policy and program changes and had since been completed and fully addressed. The Department expected a significant reduction in the number of food premises operating without a valid licence in the future.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Is the Department complying with the *Food Premises Regulations*?

Response:

“The Department is making every effort to ensure that registrations are completed by the annual expiry date.”

Question No. 2:

Were any food premises operating without valid licences during 2007-08 and 2008-09? If so, how many and could you provide documentation to support this information? Why would there be food premises operating without valid licences during these time periods?

Response:

“As of today’s date (March 13, 2009) our database indicates there are a total of 198 expired registrations. This is fewer than half the number (445) noted in the 2007 Report. Of these, 70 (35%) are seasonal licences which may only be renewed when the premises re-opens again. Some 55 registrations (27%) expired at the end of February 2009. Others are listed as inactive and may be temporarily or permanently closed. Some may have had documents mailed but not recorded in the system. A detailed review for the reasons for outstanding registration renewals is being undertaken.

As previously noted, in general the expiry of a registration does not affect the level of risk to public health or cause these premises to be operated improperly.”

**Our
conclusion**

Follow-up Required

The Department of Government Services indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 2

The GSC should ensure risk assessment worksheets are accurately completed as required under the MOU.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that it would ensure risk assessments were completed when required under the MOU. The Department also indicated that recently introduced improvements and upgrades to the computer system (AMANDA) would improve risk assessment accuracy.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Is the Department accurately completing risk assessment worksheets as required under the MOU?

Response:

“Upgrades to the AMANDA system have been implemented and an automatic calculation of the risk assessment form is in place. This should improve the accuracy of completing the risk assessment worksheets. An evaluation of the automatic calculation process will be conducted over the next few months to assess its accuracy. Managers have also been instructed to conduct periodic audits of documentation in program files, which will include a review of the risk assessment worksheets.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 3

The GSC should comply with Department policy as follows: ensure that inspections are carried out in accordance with the uniform frequency required in the Risk Management Framework.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to the 2007 Report that it had been monitoring inspection “to do” lists to ensure that inspections are completed in as timely a manner as possible and that substantial improvement in inspection coverage had been achieved in 2006-07. The Department also indicated that discussions were planned with the Department of Health and Community Services to determine whether the annual inspection frequency could be reduced for high risk food premises.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Were food premises inspected in accordance with the uniform frequency required in the risk management framework during 2007-08 and 2008-09?

Response:

“As previously indicated, the Department is making a number of improvements to the Food Premises inspection process in an effort to achieve the target or desired inspection frequency outlined in the 2003 framework. These improvements include: upgrading to AMANDA database system to improve program documentation; development of additional management reports; and introduction of additional work planning processes for inspectors (being piloted).

Food Premises Inspection and Licensing Program (2007 Annual Report, Part 2.7)

In 2007-08, the Department achieved the following results in comparison with the target inspection frequencies: 87% of high risk; 88% of medium risk; and 126% of low risk. As previously noted, the apparent “over-coverage” in the low risk category is associated with the requirement for other inspections, such as tobacco compliance, which are done more frequently than the once per two years for low risk food premises. The final report for 2008-09 will not be available until late April or early May 2009. However, monitoring reports indicate that a high level of achievement in most areas will be achieved.

There are a number of factors which continue to contribute to the challenge of achieving 100% of target inspection frequencies, including staff turnover (particularly in rural areas) and a high number of overall inspection requirements in the environmental health program. The Department is of the view that the risk is being managed appropriately. This is supported by the outcomes of the extreme rarity of any identified incidents of food-borne contamination causing illness from the licenced premises.”

Question No. 2:

Has the inspection frequency for high risk food premises been discussed with the Department of Health and Community Services and were any changes made? If changes were made, what were they?

Response:

“As previously noted, further discussions with the Department of Health and Community Services are planned to determine whether the annual inspection frequency targets are appropriate, particularly for high risk food premises. No changes have been made to date.”

Our conclusion

Follow-up Required

The Department of Government Services indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 4

The GSC should comply with Department policy as follows: EHO's should indicate on the inspection report when critical health hazards are corrected or controlled.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to the 2007 Report that documentation in this area should be improved.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

What action has the Department taken to ensure identified critical health hazards are indicated as corrected or controlled on the inspection report?

Response:

“A working group, composed of representatives from Government Services inspection staff, Regional Managers, the Department of Health and Community Services, and the Regional Health Authorities, was struck in the Fall of 2008 to review program documentation and related policies. A number of recommendations from this process are currently under review.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 5

The GSC should comply with Department policy as follows: food premises should be closed where required.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to the 2007 Report that food premises were not closed as required by policy because inspectors properly used their professional judgement in determining that the issues involved did not present a serious public health risk and that this type of judgement call is permitted under the *Food Premises Regulations*. The Department indicated that policy consistency in this area would be reviewed in consultation with the Department of Health and Community Services to ensure inspectors are properly empowered to make these decisions.

**Entity's
response to
standard
questions**

In 2009, the Department of Government Services was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response:

“Yes. The Department continues to hold the view that inspectors were appropriately applying their professional expertise and judgment in the application of their authority under the *Food Premises Regulations* to close a food establishment if required. The recommendation was only applicable in pointing out that the existing Closure Policy needed to be clarified and made consistent with legislative authority.”

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: “No. See above.”

We disagree with the Department's position and maintain that, as required by existing Department policy, “Where critical hazards are identified during an inspection and the next (second) inspection reveals critical hazards and the total critical hazard score is less than 48 in the second inspection, the food premises is to be closed.”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response:

“N/A. The Department is reviewing the Closure Policy/Guideline in consultation with Health and Community Services to clarify the guideline for inspectors in the field.”

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department reviewed policies covering this area with the Department of Health and Community Services to ensure inspectors do not allow food premises to remain open where policy states they should be closed? If so, what was the result of this review?

Response:

“The Department is reviewing the Closure Policy/Guideline in consultation with Health and Community Services to clarify the guideline for inspectors in the field. This was included in the working group review of program documentation. The recommendations are currently under review.”

**Our
conclusion**

Follow-up Required

The Department of Government Services indicated that the recommendation is still applicable; that they disagree with the original recommendation; and that implementation of the recommendation is not applicable as they disagree with the original recommendation. The Department holds the view that inspectors were appropriately applying their professional expertise and judgment in the application of their authority under the *Food Premises Regulations* to close a food establishment if required.

We disagree with the Department's position and maintain that, as required by existing Department policy, “*Where critical hazards are identified during an inspection and the next (second) inspection reveals critical hazards and the total critical hazard score is less than 48 in the second inspection, the food premises is to be closed.*” The Department did, however, indicate that the Closure Policy/Guideline was being reviewed in consultation with the Department of Health and Community Services to clarify the guideline for inspectors in the field. Therefore, further follow-up is required on this recommendation with respect to clarification of the policy.

Recommendation No. 6

The GSC should comply with Department policy as follows: food premises should be given a compliance date by which identified non-critical health hazards are to be corrected.

**Entity's
response from
previous report**

The Department of Government Services did not indicate any planned actions in its response to our 2007 Report.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Are food premises being given compliance dates for all identified non-critical health hazards that are to be corrected?

Response:

“The Department is currently reviewing its inspection documentation process as part of the previously mentioned working group process. This includes recommendations regarding timelines for compliance being clearly outlined on inspection reports. The recommendations are currently under review.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 7

The GSC should comply with Department policy as follows: inspection report scores should be accurately calculated.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that inspection specifics previously tracked on paper were now tracked electronically and that for every inspection completed, inspectors are required to input their findings for each of the individual items they inspect. As a result, inspection scores are now calculated automatically, reducing the likelihood of error.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their response is contained in the following section.

Question No. 1:

Were inspection scores accurately calculated during 2007-08 and 2008-09?

Response:

“As indicated above, because electronic entry of critical and non-critical items is now being done, the likelihood of error is decreased. There are over 5,500 annual food inspections required. It is not a productive use of resources to review every inspection report every year. Therefore, it is not possible to definitively say whether all inspections scores are being calculated with 100% accuracy. We believe, however, that the manual audit process being developed will address this particular issue.

In addition, the value of these calculations in terms of assessing the performance of a premise during an inspection is being reviewed in the context of proposed revisions to program documentation. These recommendations are currently under review.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 8

The GSC, Department of Health and Community Services, and the Regional Integrated Health Authorities should evaluate the MOU as annually required.

**Entity's
response from
previous report**

The Department of Health and Community Services indicated in its response to our 2007 Report that it would work with the Department of Government Services and the Regional Health Authorities to complete an evaluation of the MOU during 2008-09 and annually thereafter.

**Entity's
response to
specific
questions**

The Department of Health and Community Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Did the Department work with the Department of Government Services and the Regional Health Authorities and complete annual evaluation of the MOU for 2008-09? If so, what were the results of this review? If not, then why was the annual review not completed for 2008-09? Does the Department intend to conduct annual reviews in the future?

Response:

“The Department met with officials with Government Services and the Regional Health Authorities in February 2009 to discuss the evaluation of the MOU from the perspective of the environmental health program (includes food premises and licensing program). The process to carry out the annual evaluation has been started and the Department expects to have the initial evaluation completed during 2009-2010. An MOU standing committee will be appointed and this committee will oversee working groups assigned to evaluate the various sections of the MOU (e.g. environmental health, personal care homes, and child care).”

**Our
conclusion**

Follow-up Required

The Department of Health and Community Services indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 9

The GSC should ensure information resulting from inspections is input into the database promptly. Inspection reports should be placed in the food premises files.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that a number of upgrades and improvements to the AMANDA system were planned for the 2008-09 fiscal year, including the introduction of technology to allow the capture and entry of inspection data in the field.

The Department did not indicate any planned actions to ensure that inspection reports are promptly placed in food premises files.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the AMANDA system been upgraded to allow the capture and entry of inspection data in the field? If so, what is the nature of these upgrades? If not, what has the Department been doing to ensure information resulting from inspections is input into the database promptly?

Response:

“The main upgrades for the AMANDA system have been implemented, except for the mobile field application. The Office of the Chief Information Officer is currently developing a Request for Proposals for a Mobile Device that can be used by Environmental Health Officers in the field. Considerable work has been done by Government Services to ensure that this project advances as expediently as possible. However, acquisition of the mobile devices are subject to budget approval for 2009-10.

As previously noted, information from inspections reports is required, at a minimum, to be entered by the 5th day of the following month.”

Question No. 2:

What is the Department doing to ensure inspection reports are placed in food premises files?

Response:

“Managers have been instructed to include this as part of their periodic audit of the food premises files.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 10

The Department of Health and Community Services should develop a policy to address the situation where the same critical health hazards continue to recur in consecutive inspections.

**Entity’s
response from
previous report**

The Department of Health and Community Services indicated in its response to the 2007 Report that it would review the current policy direction on critical hazards.

**Entity’s
response to
specific
questions**

The Department of Health and Community Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department reviewed its policy direction on critical hazards? If so, has a policy been developed to address the situation where the same critical health hazards continue to recur in consecutive inspections?

Response:

“The Department through a working group, with membership from Government Services and each of the Health Authorities, reviewed and revised policies related to critical items. Policy has been developed to address situations where critical items are identified during inspections and when they occur during three or more consecutive inspections. The policies are in the process of being adopted.

The policies related to the Food Premises Inspection and Licensing Program were reviewed in September of 2008 by a Food Premises Inspection Program Working Group. The working group has made a number of recommendations including the adoption of a revised policy to deal with non-compliance in food premises. The revised policy states that food premises are to be closed if critical items cannot be controlled or corrected during an inspection. In addition, the revised policy has a section dealing with repeat critical items and steps that are to be carried out when critical items are found in three or more consecutive inspections.

To enhance the food premises inspection and licensing program the working group also recommended:

- adopting a new Food Premises Inspection Report (FPIR)
- adopting a revised risk assessment tool (called risk categorization questionnaire)
- adopting an expanded list of critical items.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 11

The GSC should provide the Department with an annual report as required.

**Food Premises Inspection and Licensing Program
(2007 Annual Report, Part 2.7)**

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that a draft report of the 2006-07 fiscal year was being reviewed by management to be forwarded to the Department of Health and Community Services.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the GSC provided the Department of Health and Community Services with an annual report for the years of 2006-07 and 2007-08? If not, please indicate why the reports were not provided?

Response:

“The Department has encountered some challenges in the presentation of information in an annual report format for the last two fiscal years. These draft reports are expected to be finalized and forwarded to the Department of Health and Community Services shortly. It should be noted that, notwithstanding the presentation of a formal annual report, monthly statistical reports have continued to be provided to Health and Community Services for their information and discussion as necessary. The process of providing an annual report after the end of a given fiscal year is being reviewed with the objective of providing more timely documents.”

**Our
conclusion**

Follow-up Required

The Department of Government Services indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 12

The GSC should monitor inspection activity more closely to ensure that inspections are properly scheduled and carried out.

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that the re-establishment of the Program and Support Services Division in 2007-08 would restore and consolidate much needed capacity in areas such as performance monitoring and reporting.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Is inspection activity monitored to ensure inspections are properly scheduled and carried out?

Response:

“The new Program and Support Services Division has not yet been fully staffed but the Division is already beginning to develop approaches to performance monitoring and reporting. These have been reviewed with senior and operational managers and are in the process of being implemented with quarterly reporting required. Copies of the draft auditing and monitoring tools will be provided to your office as well as samples of completed reports when they are available.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 13

The GSC should staff the vacant EHO positions.

**Food Premises Inspection and Licensing Program
(2007 Annual Report, Part 2.7)**

**Entity's
response from
previous report**

The Department of Government Services indicated in its response to our 2007 Report that a country-wide shortage of environmental health inspectors continued to present difficulty in recruitment and retention in the Province. The Department indicated that, in the Fall of 2008, it began a bursary program in 2006-07 to secure student graduates for employment in rural areas of the Province.

**Entity's
response to
specific
questions**

The Department of Government Services was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department been able to staff vacant EHO positions? If not, how many positions remain vacant and what is the Department doing to fill these positions?

Response:

“As previously noted, the first group of three students from the bursary program became fully qualified in the late Fall of 2008 and, as of December 31, 2008, all 35 EHO positions in the province were filled. One vacancy since that time, due to a promotion within the department, has been filled and the resulting vacancy (from internal movement of staff) for a temporary, maternity relief position is in the process of being filled. A second group of bursary students have been accepted into the program to provide a pool of candidates for future vacancies such as those which may be created through retirement.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.



Highlights

Highlights of an update on the review of insurance on motor vehicles for the fiscal year ended 31 March 2006.

Purpose of Our Review

In 2007, we performed a review of the Department of Government Services, Motor Registration Division (MRD) to determine:

- what systems were in place to prevent the operation of motor vehicles without insurance;
- what systems were in place to ensure the detection of the operation of motor vehicles without insurance; and
- whether penalties for operating a motor vehicle without insurance were being enforced as provided by legislation.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.12

DEPARTMENT OF GOVERNMENT SERVICES

Insurance on Motor Vehicles

2007 Annual Report, Part 2.8

Recommendations

In February 2009, we contacted the Department requesting an update as to any progress made on the following recommendation that was included in our 2007 Report:

1. *The Department should review activities at the Motor Registration Division to determine the extent to which they prevent or detect the operation of motor vehicles without insurance.*

Areas of Disagreement

We disagree that the Department has implemented the recommendation. The Department is continuing to pursue improvements to the auditing of private vehicle insurance coverage and also to review impoundment of uninsured vehicles as required under the *Highway Traffic Act*.

Overall Conclusion

While the Department has made sufficient changes to the system for checking insurance coverage for commercial vehicles to prevent or detect the operation of these vehicles without insurance, it is still continuing to pursue improvements to the auditing of private vehicle insurance coverage and also to review the seizure and impoundment of uninsured vehicles as required under the *Highway Traffic Act*.

We conclude that follow-up is required on this recommendation.

- Introduction** In 2007, we performed a review of the Department of Government Services, Motor Registration Division (MRD). We conducted our audit to determine:
- what systems were in place to prevent the operation of motor vehicles without insurance;
 - what systems were in place to ensure the detection of the operation of motor vehicles without insurance; and
 - whether penalties for operating a motor vehicle without insurance were being enforced as provided by legislation.
-

What we found As a result of our review, we reached the following overall conclusions:

Our review of activities at the Motor Registration Division as well as fines imposed and collected indicated there was not a significant deterrent for those who choose to operate motor vehicles without insurance. For the period 1 April 2001 to 31 March 2006, there were 5,161 convictions of driving without insurance against 3,518 individuals, which indicated that a significant number of individuals were operating motor vehicles without insurance.

Commercial vehicles

The existence of insurance policies for commercial vehicles was not always verified as required. As a result of our review we determined that staff at the MRD office in Mount Pearl did not receive requests from the Clarenville, Grand Falls-Windsor or Corner Brook offices to verify insurance for registrations made at these offices.

Furthermore, certificates of insurance were not always on file as required. Our review of a sample of 100 registrations indicated that 16 did not have the insurance certificate on file and 17 had an insurance certificate on file but the policy number did not agree with the information contained in the MRD database.

Private vehicles

There were no controls to prevent individuals from registering vehicles without insurance because MRD did not verify insurance information provided at registration and had no means of verifying the information it received as it did not have online access to insurance industry systems. As well, insurance companies were not required to notify MRD of insurance cancellations. Therefore, MRD was not able to prevent individuals from purchasing insurance when registering a motor vehicle and subsequently cancelling the insurance policy.

Enforcement

We noted that Highway Enforcement Officers were not able to verify whether an insurance card being presented as proof of insurance actually represented a valid, in-force insurance policy. In addition, in cases where proof of insurance was not presented or was invalid, follow-up letters were not always issued by MRD as required to be certain that all warning tickets to provide proof of insurance had been acted upon. Furthermore, in cases where individuals were convicted of operating a motor vehicle without insurance, MRD was not complying with the requirements of the *Highway Traffic Act* (the *Act*), in that vehicles were not impounded, nor were drivers' licences suspended. Also, many of the fines imposed remained unpaid.

Our follow-up In February 2009, we contacted the Department requesting an update as to any progress made on the following recommendation that was included in our 2007 Report:

1. *The Department should review activities at the Motor Registration Division to determine the extent to which they prevent or detect the operation of motor vehicles without insurance.*

The update provided by the Department in response to our request is contained in this Report.

Overall conclusion

We conclude that the Department of Government Services has addressed our concerns related to commercial vehicles; however, further follow-up is required as follows:

Commercial vehicles

The Department has made sufficient changes to the system for checking insurance coverage for commercial vehicles to prevent or detect the operation of these vehicles without insurance. Therefore, our recommendation, as it relates to commercial vehicles, has been implemented and no further follow-up is required in this area.

Private vehicles

The Department is continuing to pursue improvements to the auditing of private vehicle insurance coverage. Therefore, in order to determine if our recommendation has been implemented as it relates to private vehicles, further follow-up is required.

Compliance with the *Highway Traffic Act*

The Department is continuing to review the seizure and impoundment of uninsured vehicles as required under the *Highway Traffic Act*. Therefore, in order to determine if our recommendation has been implemented as it relates to compliance with the *Highway Traffic Act*, further follow-up is required.

We conclude that follow-up is required on this recommendation.

Recommendation No. 1

The Department should review activities at the Motor Registration Division to determine the extent to which they prevent or detect the operation of motor vehicles without insurance.

**Entity's
response from
previous report**

In its response to our 2007 Report, the Department indicated that:

Commercial vehicles

The Department would be implementing a regular commercial vehicle insurance information report for all buses, school buses, ambulances and taxis for which changes (e.g. initial registrations, transfers, renewals) have been made in the MRD database during a specified time frame. It was also indicated that this information would be compared against the information contained in the manual insurance files for commercial vehicles. In cases where there were discrepancies, the Department would contact the registrant requesting updated information within 30 days. Where proof of insurance was not provided, a plate seizure order would be issued and the plates confiscated.

Private vehicles

Departmental officials had held discussions with other Atlantic Provinces' Registrars of Motor Vehicles regarding the possibility of pursuing a joint initiative to implement an on-line insurance verification program. It was also indicated that such a system would take time to establish. In the interim, the Department would consult with the insurance industry on the feasibility of a cooperative monthly audit of a select number of private vehicles to confirm compliance with insurance requirements and ensure the information provided on policies was accurate and that the policy had not been cancelled after a vehicle is registered.

Compliance with the *Highway Traffic Act*

The Department would review the requirement for seizure and impoundment of vehicles which were found to be without insurance coverage to determine if implementation of this requirement under the *Act* is feasible and what other strategies may achieve the same goal.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response:

“Yes. However, a number of changes have been made to the system for checking insurance coverage for commercial vehicles. Initiatives for assessing practical mechanisms for auditing insurance on private passenger vehicles are still being explored.”

- If still applicable, do you agree with original recommendation? (Yes/No)

Response:

“Yes. The Department is continuing to pursue improvements to the auditing of private vehicle insurance coverage.”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response:

“Yes. The Department has reviewed activities at the Motor Registration Division and determined the extent to which they prevent or detect the operation of motor vehicles without insurance. A process to verify commercial vehicle insurance has already been implemented. Review of options for private motor vehicle insurance and seizure and impoundment of vehicles without insurance is on-going.”

We disagree that the Department has implemented the recommendation. While the Department has made sufficient changes to the system for checking insurance coverage for commercial vehicles to prevent or detect the operation of these vehicles without insurance, it is still continuing to pursue improvements to the auditing of private vehicle insurance coverage and also to review the seizure and impoundment of uninsured vehicles as required under the *Highway Traffic Act*.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Commercial Vehicles

Question No. 1:

Has the Department implemented a regular commercial vehicle insurance information report for all commercial vehicles (i.e. buses, taxis, ambulances)?

Response:

“Yes, the Department has implemented a regular commercial vehicle insurance information report for all commercial vehicles. This report is generated weekly and the verification conducted at least on a monthly basis.”

Question No. 2:

Is the information contained in this report compared to the manual insurance files for commercial vehicles?

Response:

“Yes, the information in this report is compared to the manual insurance files for commercial vehicles, at a minimum on a monthly basis.”

Question No. 3:

Has there been a case where a discrepancy has lead the Department to contact the registrant requesting the information within an appropriate time frame?

Response:

“Yes, there have been cases where the Department has discovered a discrepancy which has led to the applicant being contacted and requested to provide the information. [The report] shows those areas where the information is verified as “OK”; where discrepancies are found the report shows a blank. These files are followed-up as described [in the Department’s response to Question 4].”

Question No. 4:

It was indicated that registrants would be issued a plate seizure order if the requested information was not provided as required. How many of these orders were issued during the 2008 fiscal year and the 2009 fiscal year to date and, of these, how many orders resulted in the requested information being received successfully?

Response:

“There have been approximately 20 cases to date since the 2007-08 fiscal year where the registrants, whose registrations have been processed via the internet, have been sent a letter notifying them that their registration has been inactivated and will not be mailed until such time as proof of valid insurance has been received.

There have been 6 cases where the owner of a vehicle has failed to provide proof of insurance as requested and in those cases the registration and validation stickers have been withheld. The plates have not been seized, as without the stickers, they are easily recognizable as unregistered for enforcement purposes. The remainder of the applicants submitted the required proof of insurance and the vehicle registrations have been reactivated. There has been one other case where a plate seizure notice has been issued (March 2009).

For registrations processed by regional office staff, the National Safety Code office compares the insurance information report to the manual files to verify proof of insurance. If it cannot be verified through this process, the clerk’s daily/weekly work batches are also reviewed. In cases where insurance verification has not been filed, the information is sent back to the Regional Deputy Registrar or manager for follow-up with the insurance company. A copy of the insurance filing is faxed back to Head Office. To-date, it has not been necessary to issue any seizure notices to these registrants as proof of insurance has been provided. However, in cases where the insurance is not verified, an immediate plate seizure will be issued.”

Private Vehicles

Question No. 1:

What is the current status of the discussions with the other Atlantic Provinces on the implementation of an on-line verification program? If such a program has been implemented, when did this occur? Is such a program has not yet been implemented, when is the expected date of implementation?

Response:

“In 2008, the Atlantic Registrars held several conference calls on this issue and are still in active discussions with the Insurance Bureau of Canada. The economic and administrative feasibility of implementing an on-line insurance verification system has not yet been determined. As such, there is no date set for implementation at this point.”

Question No. 2:

What is the current status of the Department’s consultation with the insurance industry for monthly audits of private vehicles to confirm with insurance requirements, accuracy of information provided and that the policy is still in force? If the program is in effect:

- How long has it been in effect?
- How many audits are completed each month?
- Has it been necessary to issue plate seizure orders as a result of the audit work? If so, how many?

If the program is not in effect, when would the Department expect it to be in place?

Response:

“The Department has received a cost estimate from the Insurance Bureau of Canada (IBC) of \$30,000 to set up and \$12,000 annually to implement a random audit program. Development and implementation of this system would also require considerable expert staff resources from MRD. In consultation with the OCIO, the Department has begun a review of the MRD mainframe computer system with a view to developing a replacement system. The insurance verification will be considered as a component of this review. It should be noted that the system review/replacement project is expected to take three to five years to complete. Should the monthly audit or on-line verification options prove feasible in the meantime, the Department may be able to pursue these alternatives separately.”

Compliance with the *Highway Traffic Act*

Question No. 1:

Has the Department completed its review of the requirement for seizure and impoundment of vehicles which were found to be without insurance coverage? What were the results of this review? Does the Department consider it feasible to seize and impound these vehicles or has it developed another strategy to achieve the same goal? If another strategy has been developed, what is it?

If this review has not been completed, when does the Department expect to complete it? What is the Department doing in the meantime?

Response:

“The Department has commenced its review of vehicle seizure and impoundment as it relates to uninsured vehicles. There are a number of factors requiring in-depth consideration, including the lack of available towing/impound facilities in rural and isolated areas, as well as consultation with stakeholders such as the police agencies and private industry. These issues are being addressed in a comprehensive practical manner before any further action is taken. In the interim, to address this issue the Department has implemented a 90-day administrative suspension for drivers convicted of operating a vehicle without insurance. Between February and December 2008, there were 105 suspensions issued for no insurance.”

**Our
conclusion**

Follow-Up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that the Department has implemented the recommendation. While the Department has made sufficient changes to the system for checking insurance coverage for commercial vehicles to prevent or detect the operation of these vehicles without insurance, it is still continuing to pursue improvements to the auditing of private vehicle insurance coverage and also to review the seizure and impoundment of uninsured vehicles as required under the *Highway Traffic Act*.



Highlights

Highlights of an update on a review of pension plans up to 21 March 2006.

Purpose of Our Review

In 2006, we performed a review of the Superintendent of Pensions under the Department of Government Services to determine whether the Department adequately monitors the activities of registered pension plans as required by the *Pension Benefits Act, 1997*.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.13

DEPARTMENT OF GOVERNMENT SERVICES

Superintendent of Pensions

2006 Annual Report, Part 2.9

Recommendations

In February 2009, we contacted the Department of Government Services (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Department should establish a risk based system for monitoring pension plans including the level of inspections and audits to be performed.*
2. *The Department should require that Pension Plan Administrators submit annual financial statements.*
3. *The Department should ensure Annual Information Returns received from Pension Plan Administrators are checked for reasonability, accurately recorded and that any issues identified are appropriately resolved.*
4. *The Department should respond on a timely basis to correspondence received from Pension Plan Administrators.*
5. *The Department should prepare regular reports on the activities of the Superintendent including progress made on the goals and objectives of the Office, and the current state of the pension plans.*
6. *The Department should ensure compliance staff are adequately trained.*

Areas of Disagreement

The Department disagreed with our recommendation number 2 that the Department should require that Pension Plan Administrators submit annual financial statements. In addition, we disagree with the Department's response to recommendations numbers 1, 3 and 4 indicating that the recommendations are implemented because, in our opinion, the recommendations are not fully addressed.

Overall Conclusion

Since our original report in 2006 the Department has taken very little action to address our concerns and recommendations. For example, the Department:

- has not used its risk factors for categorizing pension plans;
- does not have a checklist to guide the reviewer or document the results of the review of the Annual Information Return;
- still has a backlog of older correspondence that needs to be addressed; and
- has not yet prepared a separate report on the activities of the Superintendent of Pensions.

We conclude that follow-up is required on recommendation numbers 3, 4 and 5. In addition, given the Department's position on recommendation numbers 1 and 2, further follow-up by this Office would be of no benefit.

Introduction In 2006, we performed a review of the Superintendent of Pensions under the Department of Government Services (the Department) to determine whether the Department adequately monitors the activities of registered pension plans as required by the *Pension Benefits Act, 1997*.

What we found Overall, we had concerns with the monitoring of the activities of pension plans. Specifically:

- the Department did not have a formal risk assessment process in place;
 - Pension Plan Administrators were not required to submit financial statements;
 - inspections or audits had never been conducted;
 - the Department's database was inaccurate;
 - correspondence from Pension Plan Administrators requiring a response by the Department was not always addressed on a timely basis;
 - the Superintendent was not reporting on the pension plans in the Province; and
 - formal training was not provided to the Compliance Officer.
-

Our follow-up In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report.

1. *The Department should establish a risk based system for monitoring pension plans including the level of inspections and audits to be performed.*
2. *The Department should require that Pension Plan Administrators submit annual financial statements.*
3. *The Department should ensure Annual Information Returns received from Pension Plan Administrators are checked for reasonability, accurately recorded and that any issues identified are appropriately resolved.*

4. *The Department should respond on a timely basis to correspondence received from Pension Plan Administrators.*
5. *The Department should prepare regular reports on the activities of the Superintendent including progress made on the goals and objectives of the Office, and the current state of the pension plans.*
6. *The Department should ensure compliance staff are adequately trained.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

Since our original report in 2006 the Department of Government Services has taken very little action to address our concerns and recommendations. For example:

- Although the Department has identified three risk factors for categorizing pension plans, it has not used these factors to establish a risk based system. The Department does not intend to carry out site inspections or audits of pension plans.
- There is no checklist to guide the reviewer or document the results of the review of the Annual Information Return.
- Although the Department indicated that priority correspondence is addressed on a timely basis, there is still a backlog of older correspondence that needs to be addressed.
- The Department has not yet prepared a separate report on the activities of the Superintendent of Pensions; however, it indicated that it expects to prepare a report on the 2009-10 activities.

Furthermore, the Department disagreed with recommendation number 2 related to the need to submit annual financial statements as follows:

- The Department does not intend to require that pension plan administrators submit financial statements. It has taken the position that the submission of financial statements is of limited value and that the submission of other financial information from the Pension Plan Administrators is used for evaluation purposes. However, in our opinion, the submission and review of annual financial statements would provide additional support for the information submitted with the Annual Information Return.

We conclude that follow-up is required on recommendations numbers 3, 4 and 5. In addition, given the Department's position on recommendation numbers 1 and 2, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Department should establish a risk based system for monitoring pension plans including the level of inspections and audits to be performed.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that they did not need a formal risk assessment process as they review the Annual Information Returns and actuarial valuation reports of every pension plan.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)
Response: "Yes"
- If still applicable, do you agree with original recommendation? (Yes/No)
Response: "Yes, to a degree."
- If you agree with recommendation, has it been implemented? (Yes/No)
Response: "Yes"

We disagree that the recommendation is implemented. Although the Department has identified three risk factors for categorizing pension plans, it has not used these factors to establish a risk based system. The Department uses these factors in following-up with pension plan administrators through a telephone call or written correspondence.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department established a risk based system for monitoring pension plans including the level of inspections and audits to be performed? If not, please provide the status.

Response:

“The Department has not established a formal risk based system as we monitor all of the Annual Information Returns (AIR’s) of all regulated pension plans. However, we have developed a categorization of pension plans by three risk categories: no funding deficit, a going concern deficit only, and a solvency deficit. Our practice is to follow-up on pension plans with solvency deficits and going concern deficits to see that funding arrangements are put in place in accordance with regulations.”

**Our
conclusion**

Follow-up Not Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation to a degree; and that the recommendation is implemented.

However, we disagree that the recommendation is implemented. Although the Department has identified three risk factors for categorizing pension plans, it has not used these factors to establish a risk based system. The Department uses these factors in following-up with pension plan administrators through a telephone call or written correspondence. Department officials indicated that they do not intend to use a risk based system to conduct inspections or audits of pension plans.

Given the Department’s position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 2

The Department should require that Pension Plan Administrators submit annual financial statements.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that financial statements were not the appropriate vehicle to monitor solvency of pension plans. Independent actuarial reports were the appropriate method to do so, as projections on life expectancy, investment returns, length of employment, administration expenses, etc. are required.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: "Yes"

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: "No... requiring Pension Plan Administrators to submit annual financial statements would be of limited value."

We disagree with the Department's position as it is our opinion that the submission and review of annual financial statements would provide additional support for the information submitted with the Annual Information Return.

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: "N/A"

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

What is the status on the requirement of Pension Plan Administrators to submit annual financial statements?

Response:

“We believe that requiring Pension Plan Administrators to submit annual financial statements would be of limited value. The Annual Information Returns and actuarial valuation reports are the most important documents in evaluating the financial position of pension plans. Based on a survey of other regulators conducted in 2007, three provinces did not require filing financial statements and five provinces did require they be filed. Those requiring them to be filed found them to be of limited value. We will update their review of other jurisdictions and determine whether or not they need to change their position on the issue.”

**Our
conclusion**

Follow-up Not Required

The Department indicated that the recommendation is still applicable but they do not agree with the original recommendation.

However, we disagree with the Department’s position as it is our opinion that the submission and review of annual financial statements would provide additional support for the information submitted with the Annual Information Return. Department officials indicated that they do not intend to request financial statements from pension plan administrators.

Given the Department’s position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 3

The Department should ensure Annual Information Returns received from Pension Plan Administrators are checked for reasonability, accurately recorded and that any issues identified are appropriately resolved.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2006 Report that steps would be taken to further reduce, or eliminate if possible, errors in the database.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: "Yes"

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: "Yes"

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: "Yes"

We disagree that the recommendation has been implemented as the Department indicated in follow-up discussions that there are no checklists to guide the reviewer or document the results of the review. As a result, the Department cannot be assured that reviews are being performed as required.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

How has the Department ensured that Annual Information Returns received from Pension Plan Administrators are checked for reasonability, accurately recorded and that any issues identified are appropriately resolved?

Response:

"The Compliance Officer reviews the returns when they come in and checks to see if there are major differences from previous reports. If so, the Compliance Officer advises the Manager and the returns are reviewed to ensure issues are resolved."

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is implemented.

However, we disagree that the recommendation has been implemented as the Department indicated in follow-up discussions that there are no checklists to guide the reviewer or document the results of the review. As a result, the Department cannot be assured that reviews are being performed as required.

Recommendation No. 4

The Department should respond on a timely basis to correspondence received from Pension Plan Administrators.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that they would endeavour to improve their response times for correspondence.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)
Response: "Yes"
- If still applicable, do you agree with original recommendation? (Yes/No)
Response: "Yes"
- If you agree with recommendation, has it been implemented? (Yes/No)
Response: "Yes"

We disagree that the recommendation has been implemented as the Department indicated in follow-up discussions that, although priority correspondence is addressed on a timely basis, there is still a backlog of older correspondence that needs to be addressed once the additional position in the Pensions Section has been filled.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department responded on a timely basis to correspondence received from Pension Plan Administrators since our review? If so, how has it improved? If not, what is the status on the response times for correspondence?

Response:

“We believe current issues are being responded to on a timely basis. We have an additional position in the Pensions Section approved and when this is filled we expect that further improvements will be made to response times.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is implemented

However, we disagree that the recommendation has been implemented as the Department indicated in follow-up discussions that, although priority correspondence is addressed on a timely basis, there is still a backlog of older correspondence that needs to be addressed once the additional position in the Pensions Section has been filled.

Recommendation No. 5

The Department should prepare regular reports on the activities of the Superintendent including progress made on the goals and objectives of the Office, and the current state of the pension plans.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that there was no requirement for the Superintendent to report on pension plans in the Province; however, with the new *Transparency and Accountability Act* they would consider whether a separate report on pension plans in the Province is appropriate.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department considered the preparation of regular reports on the activities of the Superintendent? If not, what is the status on the preparation of regular reports?

Response:

“We have not yet prepared separate reports on the activities of the Superintendent of Pensions. The Department prepares an Annual Report on the activities of the Department as a whole but this report does not give much detail on the activities of the Superintendent of Pensions. A separate report on pensions similar to the one completed on the activities of the Superintendent of Insurance, may be useful and we are in the process of determining what should be included in such a report. We will target completing a report based on the 2009-10 fiscal year.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; but that the recommendation is not yet implemented.

We agree with this response.

Recommendation No. 6

The Department should ensure compliance staff are adequately trained.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that they were not aware that such training was available, but on-the-job training had been provided and they believed the Compliance Officer had been adequately trained.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Compliance Officer receive periodic training? If so, what training has been provided since our review? If not, what is the status of training for the Compliance Officer?

Response:

“In our view the Compliance Officer is adequately trained.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.



Highlights

Highlights of an update on the review of Special Permits and In-Transit Permits in the Department of Government Services.

Purpose of Our Review

In 2004, we completed a review of Special Permits and In-Transit Permits in the Department. We conducted our review to determine the policies, procedures, standards and guidelines governing the issuance of these permits.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.14

DEPARTMENT OF GOVERNMENT SERVICES

Special Permits and In-Transit Permits

2004 Annual Report, Part 2.22; Updates: 2006, Part 3.2.20 and 2007, Part 3.2.13

Outstanding Recommendations

We first monitored this item in 2006 and again in 2007. While the Department of Government Services (the Department) reported that some areas related to the recommendation had been addressed, outstanding items remained. In February 2009, we contacted the Department of Government Services requesting an update as to any further progress made on the following recommendation that was included in our 2004 Report:

1. *The Department of Government Services should continue with efforts to review and address issues surrounding Special and In-Transit permits.*

Areas of Disagreement

None.

Overall Conclusion

We conclude that, while the Department of Government Services has taken some action to implement the recommendation, the recommendation is not fully addressed; therefore, follow-up is required on this recommendation.

Special Permits and In-Transit Permits
(2004 Annual Report, Part 2.22; Updates: 2006, Part 3.2.20 and 2007, Part 3.2.13)

Introduction In 2004, we completed a review of Special Permits and In-Transit Permits in the Department of Government Services (the Department). We conducted our review to determine the policies, procedures, standards and guidelines governing the issuance of these permits.

What we found As a result of our review, we reached the following overall conclusions:

Special Permits

In 2003, there were 165 Special Permits issued to allow mobile cranes and construction equipment, which exceeded the defined limits for weight and/or dimensions, to travel on the Province's roads. These vehicles were not required to have an annual inspection performed and therefore may have been unsafe for travel on the Province's roads.

Highway Enforcement Officers did not complete a mechanical inspection of mobile cranes and construction equipment when these vehicles were stopped on the Province's roads from time to time.

In-transit Permits

In-Transit Permits issued for unlicensed and/or unregistered vehicles may have contributed to the existence of unsafe vehicles on the Province's roads because no inspection of the vehicle was required.

Certain mobile crane operators may have obtained In-Transit Permits because the cumulative cost of these permits was cheaper than the annual licensing fees.

Our follow-up We first monitored this item in 2006 and again in 2007. While the Department reported that some areas related to the recommendation had been addressed, outstanding items remained. In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendation that was included in our 2004 Report:

- 1. The Department of Government Services should continue with efforts to review and address issues surrounding Special and In-Transit permits.*

The update provided by the Department in response to our request is contained in this Report.

**Overall
conclusion**

We conclude that, while the Department of Government Services has taken some action to implement the recommendation, it is not fully implemented; therefore, follow-up is required on this recommendation.

Recommendation

The Department of Government Services should continue with efforts to review and address issues surrounding Special and In-Transit permits.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 follow-up report request that:

- In-Transit Permits had been eliminated for commercial vehicle transport and replaced with a single trip permit. The single trip permit requires the vehicle to have a valid vehicle inspection, safety inspection, insurance certificate, review and recommendation by the National Safety Code Section for safety compliance and final sign off by the Registrar of Motor Vehicles.
- Oversized vehicles, such as mobile cranes and other heavy equipment, must also comply with the new requirements under the single trip permit, in addition to existing requirements under the special permits. The Department's submission of a plan to Cabinet with respect to special permits for such vehicles was still under research and development. It was hoped that this could be finalized soon. The Department noted, however, that any legislative or other regulatory changes required to implement new measures could require additional time, particularly any changes that require approval of the House of Assembly.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? Yes/No

Response:

“Yes. However, only in part. The program was significantly altered in 2007 with the elimination of in-transit permits for commercial vehicles in favour of a more rigorous permitting system.”

- If still applicable, do you agree with original recommendation? Yes/No

Response:

“Yes. It is agreed that the review process with respect to the movement of larger (over-sized) vehicles such as mobile cranes needs to be completed. In the interim, the new requirements under the single trip permit for commercial vehicles have been applied to mobile cranes.”

- If you agree with recommendation, has it been implemented? Yes/No

Response:

“No. However, as noted in the Department’s 2007 response, in-transit permits for commercial vehicles have been eliminated and replaced by a more rigorous, single trip permitting system. The question of whether to eliminate in-transit permits for private passenger vehicles had been referred to government and a decision was made to continue to allow their use as there is no indication the permits are not being used for their intended purpose or that significant safety risk exists. Additional work on mobile cranes, arising from the initial review, is in the process of being completed.”

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question 1:

Has the Department's planned submission to Cabinet been finalized and forwarded? If not, when is it expected to be submitted to Cabinet?

Response:

“A number of challenges were identified based on the research with respect to the treatment of mobile cranes, in particular the absence of inspection standards for how these vehicles are regulated in other jurisdictions and the practical implications of imposing further restrictions on their movement. As a result, the plan had not yet been fully completed and submitted for Cabinet review. In the meantime, the additional requirements under the single trip permit are providing greater safety.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not fully implemented.

We agree with this response.

Special Permits and In-Transit Permits
(2004 Annual Report, Part 2.22; Updates: 2006, Part 3.2.20 and 2007, Part 3.2.13)



Highlights

Highlights of an update on the review of hospital-acquired infections at the Department of Health and Community Services for the period January 2004 to September 2007.

Purpose of Our Review

In 2007, we performed a review of hospital-acquired infections to:

- review the role and responsibilities of the Department as it relates to hospital-acquired infection control;
- determine the incidence of hospital-acquired infections;
- determine whether the Regional Health Authorities (the Authorities) and their predecessor organizations had the basic requirements of an infection control program in place to prevent, detect, contain and treat hospital-acquired infections and monitor trends; and
- review the implementation status of recommendations contained in the Provincial Task Force Report, *Back to Basics*.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.15

DEPARTMENT OF HEALTH AND COMMUNITY SERVICES

Hospital-Acquired Infections

2007 Annual Report, Part 2.9

Recommendations

In February 2009, we contacted the Department of Health and Community Services (the Department) requesting an update as to any further progress made on recommendations that were included in our 2007 Report.

Areas of Disagreement

We note that the Department agreed with the recommendations and agreed that they were still applicable. However, although the Department indicated that our recommendation numbers 1, 2, 5 and 7 had been implemented, we disagree because the recommendations are only partially implemented as the Department:

- is not monitoring the Authorities' compliance with policy;
- is not able to produce statistical information on hospital-acquired infections on a Province-wide basis;
- does not have a system in place to determine whether the Infection Control Committees are documenting surveillance activity and following up on deficiencies; and
- has not developed minimum requirements for audits of equipment/facility hygiene or required the Authorities to report the results of such audits.

Furthermore, we disagree with the Department's position that the Authorities are directly responsible for recommendation number 11 regarding infection control supplies. We maintain that the Department is responsible for establishing and monitoring the Province-wide level of infection control supplies to be maintained by the Authorities.

Overall Conclusion

Although the Department of Health and Community Services indicated that all recommendations from our 2007 Report had been implemented, we found that 4 of the 11 recommendations (numbers 1, 2, 5 and 7) had not been fully implemented. We conclude that further follow-up is required on these recommendations.

Furthermore, given the Department's position on recommendation number 11, further follow-up by this Office would be of no benefit.

Hospital - Acquired Infections (2007 Annual Report, Part 2.9)

Introduction

In 2007, we performed a review of hospital-acquired infections at the Department of Health and Community Services (the Department). We conducted our audit to review the role and responsibilities of the Department as it relates to hospital-acquired infection control; determine the incidence of hospital-acquired infections; determine whether the Regional Health Authorities (the Authorities) and their predecessor organizations had the basic requirements of an infection control program in place to prevent, detect, contain and treat hospital-acquired infections and monitor trends; and review the implementation status of recommendations contained in the Provincial Task Force Report, *Back to Basics*.

What we found

As a result of our review, we reached the following overall conclusions:

Subsequent to the SARS outbreak in the Spring of 2003, Government appointed a Task Force to review the standards, policies, procedures and resources related to control and prevention of communicable diseases that exist in facilities and medical clinics operated by institutional health boards. In March 2004, the Task Force issued a report titled *Back to Basics*, which identified that there was a lack of Provincial direction/standards for best practices in infection control, that limited time and resources have been dedicated to developing and implementing policies and procedures, and that training of hospital personnel was inadequate. Over three years later, none of the recommendation areas have been fully acted upon.

Our audit focused on hospital-acquired infections which were included in the issues addressed in the *Back to Basics* report. We concluded that Government does not know either the number of hospital-acquired infections or the number of deaths resulting from such infections in the Province. This situation has resulted because the Department does not require the Authorities to provide information on hospital-acquired infections, and the Authorities do not accumulate information on hospital-acquired infections using comparable methods. Furthermore, the Authorities do not keep statistics on whether any deaths have resulted from hospital-acquired infections.

Our review indicated that the Department has not developed a Province-wide infection control program relating to the prevention, detection and control of hospital-acquired infections. As a result, there are multiple infection control programs developed by the former health care boards which are currently in use at the four Authorities. Furthermore, the Department has not made any determination about the adequacy of the various infection control programs currently in use throughout the Province and is not monitoring how such programs are being delivered or their success in preventing, detecting and controlling hospital-acquired infections. Without a determination of program

adequacy, including an appropriate assessment of risk and implementation of program monitoring, the Province may not be as well prepared to manage hospital-acquired infections as it should be. This could result in increased risk to the public in contracting hospital-acquired infections.

The following findings identified during our review of the various infection control programs currently in place at the Authorities further illustrate these concerns:

- none of the four Authorities meet the minimum standards for the number of Infection Control Practitioners as recommended by Health Canada;
- only two of the eight former health care boards conducted regular clinical self-audits or equipment/facilities self-audits to assess adherence to infection control practices. The other six former health care boards conducted self-audits on a reactive basis. The lack of regular self-audits is a concern since issues associated with such items as contaminated gowns, hand washing, and equipment not being cleaned on a regular basis were noted in some Infection Control Committee minutes;
- protective equipment and supplies were not always in place; and
- the Authorities do not always notify discharged patients of their possible exposure to hospital-acquired infections. For example: an improperly cleaned gastrointestinal videoscope used on 72 individuals in the former Avalon Health Care Institutions Board; and a scabies outbreak in the former Central East Health Care Board.

Our follow-up

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should develop Province-wide policies and standards for hospital-acquired infection control and monitor compliance by the Authorities to those policies and standards.*
2. *The Department should discuss with the Authorities their capacity to provide statistical information for management of hospital-acquired infections on a Province-wide basis.*
3. *The Department should provide leadership and work with the Authorities in the development and implementation of Province-wide policies and procedures for infection control.*

4. *The Department should ensure that the number of ICP positions in the Province meet minimum Health Canada recommendations.*
5. *The Department should determine whether surveillance activities are carried out on a consistent and timely basis, reviewed and documented by the ICCs and, where appropriate, deficiencies acted upon.*
6. *The Department should determine whether routine clinical self-audits are conducted and documented and that results are reviewed and steps taken to ensure that basic hygiene and infection control practices are being carried out by all health care staff.*
7. *The Department should establish minimum requirements for the Authorities to carry out and report on regular audits of equipment/facilities hygiene.*
8. *The Department should continue to give consideration to the recommendation areas contained in the Back to Basics report.*
9. *The Department should establish a Province-wide policy for fit testing.*
10. *The Department should set standards and/or monitor hospital-acquired infection prevention and control processes.*
11. *The Department should address the issues raised regarding the level of infection control supplies.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

We note that the Department of Health and Community Services agreed with the recommendations and agreed that they were still applicable. However, although the Department indicated that our recommendation numbers 1, 2, 5 and 7 had been implemented, we disagree because the recommendations are only partially implemented as the Department:

- is not monitoring the Authorities' compliance with policy;
- is not able to produce statistical information on hospital-acquired infections on a Province-wide basis;

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- does not have a system in place to determine whether the Infection Control Committees are documenting surveillance activity and following up on deficiencies; and
- has not developed minimum requirements for audits of equipment/facility hygiene or required the Authorities to report the results of such audits.

We conclude that follow-up is required on these recommendations.

Furthermore, we disagree with the Department's position that the Authorities are directly responsible for recommendation number 11 regarding infection control supplies. We maintain that the Department is responsible for establishing and monitoring the Province-wide level of infection control supplies to be maintained by the Authorities. Given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Department should develop Province-wide policies and standards for hospital-acquired infection control and monitor compliance by the Authorities to those policies and standards.

Entity's response from previous report

The Department indicated in its response to the 2007 Report that in October 2006 a process was put in place, with regional input, to develop consistent provincial infection control guidelines. Up to 2007, three priority guidelines had been approved and distributed. Others were in various stages of development. The Department also indicated that, in collaboration with the Authorities, it would develop a monitoring framework.

Entity's response to standard questions

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: "Yes"

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: “Yes”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: “Yes”

We disagree that our recommendation has been implemented. While we can see evidence of policy development, the Department is not monitoring the Authorities’ compliance with these policies.

**Entity’s
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to specific questions unique to this recommendation. A summary of the information provided by the Department is contained in the following sections.

Question No. 1:

Does the Department now have consistent Province-wide policies and standards for hospital-acquired infection control? If not, what is the status of the guidelines development and distribution? (e.g. how many policies and standards guidelines are expected to be required in order to ensure minimum infection control standards and how many have been approved and distributed.)

Information Provided:

The Department indicated that it now has Province-wide policies and standards for hospital-acquired infection control. Officials provided copies of six such policies and indicated another was under development.

Question No. 2:

Has the Department in collaboration with the Authorities developed a monitoring framework? If the monitoring framework is in place, please provide a brief commentary as to its nature and the results to date. If not, when is it expected to be developed and put in place?

Response:

The Department did not provide a response to this question.

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented. While we can see evidence of policy development, the Department is not monitoring the Authorities' compliance with these policies.

Recommendation No. 2

The Department should discuss with the Authorities their capacity to provide statistical information for management of hospital-acquired infections on a Province-wide basis.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that the Authorities were working with the Department to develop a regional/provincial surveillance system for organisms associated with hospital-acquired infections. Surveillance for specific Multi-Drug Resistant Organisms would be implemented in 2008. Other types of surveillance would be considered in the future.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: "Yes"

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: "Yes"

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: “Yes”

We disagree that our recommendation has been implemented. The Department is still not able to produce statistical information on hospital-acquired infections on a Province-wide basis. Although requested, the Department did not provide copies of any reports on the results of the surveillance or any statistical reports for our review.

**Entity’s
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Was the surveillance for specific Multi-Drug Resistant Organisms implemented in 2008? If not, when will the system be implemented?

Response:

“OCIO in consultation with the DH&CS developed a database in 2008, piloted by Western Health in fall 2008. Implementation in 2009 with the full year of baseline data for 2009 anticipated.”

Question No. 2:

Has the Department, in consultation with the Authorities, progressed with the development of non Multi-Drug Resistant hospital-acquired infection statistical information reporting to the Department? If not, is there a plan to develop consistent systems to gather this statistical information?

Response:

“The Department participates in the Provincial Patient Safety Committee. Regular updates are provided regarding initiatives such as hand washing/infection control practices as well as patient safety initiatives under the Safer Healthcare Now! Campaign.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented. The Department is still not able to produce statistical information on hospital-acquired infections on a Province-wide basis. Although requested, the Department did not provide copies of any reports on the results of the surveillance or any statistical reports for our review.

Recommendation No. 3

The Department should provide leadership and work with the Authorities in the development and implementation of Province-wide policies and procedures for infection control.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that an Infection Control Nurse Specialist had been hired in October 2006 to provide Provincial leadership in the Department. A Provincial Infection Control Committee (PIC-NL) had been established with representation from within each Regional Health Authority. This committee was meeting monthly and provided leadership in all areas of infection control.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. A summary of the information provided by the Department is contained in the following section.

Question No. 1:

Is the Infection Control Committee meeting regularly? If yes, what has been the progress made related to the development of minimum policies and procedures to ensure consistent best practice across the Province. (e.g. has consideration been given to a common basic infection control policies and procedures manual for the whole Province?).

Information Provided:

The Department indicated that the Committee is meeting regularly and that several Provincial policies have been developed. A copy of the Committee's mandate and the minutes of the 18 February 2009 meeting were provided.

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 4

The Department should ensure that the number of ICP positions in the Province meet minimum Health Canada recommendations.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they had reviewed the Canadian recommendations for Infection Control Practitioner positions with consideration of the specific regional needs of the Province. At the time, there were 14 Infection Control Practitioners of the 20 recommended by Health Canada. The Department was seeking additional funding through the 2008-09 budget process to increase the number of IC practitioners.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

Has the Department received the additional funding required to increase the number of IC practitioners to those currently recommended by Health Canada? If so, how many additional IC practitioners have been hired? If not, what is the current status of IC practitioners compared to the current recommended number by Health Canada?

Response:

“There are currently 20 funded ICP positions in the Health Regions meeting the Health Canada requirements.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 5

The Department should determine whether surveillance activities are carried out on a consistent and timely basis, reviewed and documented by the ICCs and, where appropriate, deficiencies acted upon.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report that Authorities were responsible for surveillance activities within their institutions. Monthly reports to the Province on aggregate data from the surveillance system were being developed and an implementation plan was underway. In addition, the Province was working in cooperation with other jurisdictions in Canada on a national electronic surveillance system (Panorama) that would address many of their communicable disease surveillance needs.

**Entity’s
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: “Yes”

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: “Yes”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: “Yes”

We disagree that our recommendation has been implemented. The Department does not yet have a system in place to determine whether the Infection Control Committees are documenting surveillance activity and following-up on deficiencies.

**Entity’s
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to specific questions unique to this recommendation. A summary of the information provided by the Department is provided for Question No. 1 and their verbatim response is provided for Question No. 2.

Question No. 1:

Has the Department, in consultation with the Authorities, evaluated the surveillance methods in place and made a determination as to the best approach (e.g. targeted v/s global) for carrying out surveillance procedures? Also, have monthly reporting systems been developed and what is the extent of its implementation for reporting to the Infection Control Committees and the Department?

Information Provided:

The Department provided a copy of Provincial surveillance protocols for Healthcare associated infections (HAIs): *Clostridium difficile* and Methicillin resistant *Staphylococcus aureus*. They also indicated a database has been developed with a pilot project at Western Health; however, a sample of a monthly report was not provided.

Question No. 2:

Has the national electronic surveillance system (Panorama) been integrated into the Authority surveillance and what are the significant benefits received?

Response:

“Implementation planning continues.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented. The Department does not yet have a system in place to determine whether the Infection Control Committees are documenting surveillance activity and following-up on deficiencies.

Recommendation No. 6

The Department should determine whether routine clinical self-audits are conducted and documented and that results are reviewed and steps taken to ensure that basic hygiene and infection control practices are being carried out by all health care staff.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that the Authorities, through their Infection Control Committees, were responsible for ensuring that quality infection control activities were carried out by their staff and that staff were trained in infection control practices and procedures.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

Notwithstanding the fact that the Authorities are directly responsible for infection control in their institutions, has the Department taken any steps to monitor these activities to determine whether Infection Control Committees are using basic procedures such as clinical self-audits to ensure quality infection control activities are being conducted? If monitoring is being carried out, briefly describe the process.

Response:

“The Department participates in the Provincial Patient Safety Committee which includes review of the Accreditation Canada Reports. Regular updates are provided regarding initiatives such as hand washing/infection control practices as well as patient safety initiatives under the Safer Healthcare Now! Campaign.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 7

The Department should establish minimum requirements for the Authorities to carry out and report on regular audits of equipment/facilities hygiene.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report that they would establish standards and guidelines for infection control practices. Facility and equipment audits for hygiene were a responsibility of the Authorities through their Infection Control Committees.

**Entity’s
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: “Yes”

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: “Yes”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: “Yes”

We disagree that our recommendation has been implemented. While several guidelines have been developed, there are no minimum requirements specific to equipment/facility hygiene audits or a requirement that the Authorities report results to the Department.

**Entity’s
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

Has the Department established standards and guidelines for infection control practices? If the Department has established such Province-wide standards and guidelines, is there a requirement for the Authorities to carry out clinical self audits on a regular basis? If standards and guidelines have not been established, of if the requirement for “self audits” is not included, briefly describe the status of their development and implementation related to this issue.

Response:

“The Department participates in the Provincial Patient Safety Committee which includes review of the Accreditation Canada Reports. Regular updates are provided regarding initiatives such hand washing/infection control practices as was a patient safety initiatives under the Safer Healthcare Now! Campaign.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented. While several guidelines have been developed, there are no minimum requirements specific to equipment/facility hygiene audits or a requirement that the Authorities report results to the Department.

Recommendation No. 8

The Department should continue to give consideration to the recommendation areas contained in the Back to Basics report.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they had actioned many of the recommendations of the *Back to Basics* report and continued to prioritize the other recommendations for implementation.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Which recommendations of the *Back to Basics* report have the Department implemented to date?

Response:

“The Department has completed the implementation of the appropriate recommendations from the *Back to Basics* report. Work continues on the recommendations that come from the Provincial Infection Control-NL (PIC-NL).”

Question No. 2:

Which recommendations has the Department prioritized for future implementation?

Response:

“The Department has completed the implementation of the appropriate recommendations from the *Back to Basics* report. Work continues on the recommendations that come from the Provincial Infection Control-NL (PIC-NL).”

Question No. 3:

Which recommendations do the Department not plan for implementation and why?

Response:

“The Department has completed the implementation of the appropriate recommendations from the *Back to Basics* report. Work continues on the recommendations that come from the Provincial Infection Control-NL (PIC-NL).”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 9

The Department should establish a Province-wide policy for fit testing.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report that they had provided direction to the Authorities on the use of N95 masks according to national infection control recommendations. At that time, N95 masks were not recommended for general infection control within health care institutions and were recommended for use only for specific conditions and procedures. Fit testing of N95 masks was a policy under Occupational Health and Safety Division, Department of Government Services.

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

At the time of our review N95 masks were being fit tested for use for general infection control within certain Authorities. Does the Department know if all Authorities are now in compliance with national infection control guidelines and whether the N95 or other masks required for specific conditions and procedures are appropriately fitted to those staff involved?

Response:

“As part of the Standard Precautions document fit-testing is recommended only for airborne precautions. Fit-testing will be an ongoing process. The Regional Health Authorities are working toward continually meeting this standard.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 10

The Department should set standards and/or monitor hospital-acquired infection prevention and control processes.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report to refer to responses provided for recommendations numbers 1, 2, 5 and 7. Specifically:

- In October 2006 a process was put in place, with regional input, to develop consistent provincial infection control guidelines. At that time, three priority guidelines had been approved and distributed. Others were in various stages of development. The Department in collaboration with the Authorities would develop a monitoring framework.
- The Authorities were currently working with the Department to develop a regional/provincial surveillance system for organisms associated with hospital-acquired infections. Surveillance for specific Multi-Drug Resistant Organisms would be implemented in 2008. Other types of surveillance would be considered in the future.

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- The Authorities were responsible for surveillance activities within their institutions. Monthly reports to the province on aggregate data from the surveillance system were being developed and an implementation plan was underway. In addition, the province was working in cooperation with other jurisdictions in Canada on a national electronic surveillance system (Panorama) that would address many of their communicable disease surveillance needs.
- The Department would establish standards and guidelines for infection control practices. Facility and equipment audits for hygiene were a responsibility of the Authorities and through their Infection Control Committees.

Entity's response to specific questions

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

This recommendation specifically refers to a Scabies infection that involved three institutions. Will the Province-wide infection control standards and guidelines proposed by the Department address the apparent lapse of infection controls when transferring patients from one institution to another?

Response:

“The Department has provided the Standard Precautions document. The Infection Control Nurse Specialist acts as a consultant for infectious diseases.”

Our conclusion

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 11

The Department should address the issues raised regarding the level of infection control supplies.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that the Authorities were responsible for ensuring that they kept adequate supplies on hand to meet infection control guidelines.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: "Yes"

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: "Yes"

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: "Yes"

We disagree that our recommendation has been implemented. The Department's position is that the Authorities are directly responsible for infection control supplies. We maintain that the Department is responsible for establishing and monitoring the Province-wide level of infection control supplies to be maintained by the Authorities.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

While the adequacy of personal protective and other safety equipment, in the event of an outbreak, may be the direct responsibility of the Authorities, this issue should be included in the Province-wide guidelines under development by the Department and the Authorities. Is this issue addressed in the proposed guidelines?

Response:

“The adequacy of personal protective and other safety equipment, in the event of an outbreak, is the direct responsibility of the Authorities. The Authorities should maintain appropriate inventory of all supplies to meet any anticipated requirements.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented. The Department’s position is that the Authorities are directly responsible for infection control supplies. We maintain that the Department is responsible for establishing and monitoring the Province-wide level of infection control supplies to be maintained by the Authorities. Given the Department’s position on this recommendation, further follow-up by this Office would be of no benefit.

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(2007 Annual Report, Part 2.9)



Highlights

Highlights of an update on a review of the financial position and operations of the then Labrador-Grenfell Regional Health Authority for the period 1 April 2005 to 31 December 2006.

Purpose of Our Review

In 2007, we performed a review of the Authority to determine whether the Authority was adequately

- monitoring its financial position and operations;
- recruiting and compensating its employees in accordance with Authority and Government policy;
- properly approving, monitoring and controlling its expenditures;
- complying with the *Public Tender Act* and *Regulations*; and
- adequately monitoring its capital assets.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.16

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY

2007 Annual Report, Part 2.10

Recommendations

In March 2009, we contacted the Labrador-Grenfell Regional Health Authority (the Authority) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Authority should address its accumulated operating deficits and increasing bank indebtedness.*
2. *The Authority should integrate its accounts receivable systems, properly age patient receivables and ensure adequate follow-up on all receivables.*
3. *The Authority should fully integrate its two financial information systems.*
4. *The Authority should provide the Department of Health and Community Services with required monthly financial information.*
5. *The Authority should address its annual operating deficits and inadequate financial monitoring.*
6. *The Authority should ensure compensation practices are in line with Government policies.*
7. *The Authority should integrate its leave monitoring systems and ensure credit balances are adequately addressed.*
8. *The Authority should ensure policies and procedures are in place to monitor and report on banked overtime hours, and that the payment of overtime is in accordance with Government policy.*
9. *The Authority should ensure that employment contracts are in place to establish conditions of employment.*
10. *The Authority should comply with the Public Tender Act and Regulations.*
11. *The Authority should evaluate its food services contracts.*
12. *The Authority should ensure its travel and other expenses are consistent with Government policy.*
13. *The Authority should comply with Government's Guidelines for the Hiring of External Consultants.*
14. *The Authority should develop and implement policies and procedures governing the identification, recording, controlling, and monitoring of capital assets and ensure assets are tagged once received, all information is recorded in a capital asset ledger, and assets are periodically inventoried and reconciled to financial records.*
15. *The Authority should capture and monitor vehicle costs by vehicle and maintain vehicle logbooks.*

Areas of Disagreement

We disagree that the Authority has implemented recommendation numbers 1, 2, 14 and 15 because, although a portion of the calculated overpayment has been recovered, the Authority continues to compensate the Vice-President of Medical Services in excess of the approved salary for this position. We conclude that follow-up is required on this recommendation.

We also disagree with the Authority's response to recommendation numbers 10 (change orders) and 12 (travel and other expenses). We maintain that change orders are subject to Board approval and that the Authority's travel and other expenses should be consistent with Government policy, which provides that Executives are those employees appointed by Cabinet.

Overall Conclusion

We conclude that follow-up is required on recommendation numbers 1, 2, 6, 14 and 15. In addition, given the Authority's position on recommendation numbers 10 and 12, further follow-up by this Office would be of no benefit.

Introduction In 2007, we performed a review of the Labrador-Grenfell Regional Health Authority (the Authority) to determine whether the Authority was adequately monitoring its financial position and operations, recruiting and compensating its employees in accordance with Authority and Government policy, properly approving, monitoring and controlling its expenditures, complying with the *Public Tender Act* and *Regulations* and adequately monitoring its capital assets.

What we found Overall, we had significant concerns with the Authority's financial position, operating results, human resources, purchasing, and capital assets.

Financial operations not adequately controlled and monitored

After 21 months of integration, as at 31 December 2006, the Authority still operated as two separate entities in many areas, continued to follow former board policies/practices and did not have an integrated financial information system. The Authority's financial position continued to deteriorate, operating deficits continued, and expected administrative savings did not materialize. In addition, monthly financial information was not being provided to the Department of Health and Community Services to monitor the financial operations of the Authority.

Non-compliance with compensation and recruitment practices

The Authority's human resource practices were not always consistent with those established by Government, hiring and compensation practices were sometimes either inconsistent or in excess of those approved by Government, termination benefits were either not always consistently applied or were in excess of those approved by Government, available leave balances were sometimes exceeded, and overtime payments were sometimes in excess of Government policy. In addition, leave systems were not integrated and the Authority had no policy governing the use of accrued overtime.

Public Tender Act contravened

The Authority did not tender for 15 purchases totalling \$1,309,761, which were over \$10,000, did not obtain quotes for 5 purchases totalling \$33,997 under \$10,000 and neither tendered nor evaluated its food services contracts since being integrated in April 2005. In addition, the Authority did not keep tenders in a locked box, tender envelopes were not date-stamped, and explanations of why rejected tenders did not meet tender specifications were not always documented.

Expenditure issues

The Authority was not adequately controlling and monitoring its travel and relocation expenditures and was not complying with Government's travel and relocation policies. Specifically, the Authority improperly provided meal and private accommodation allowances to its non-executive senior staff, did not always ensure that adequate documentation was attached to support travel and relocation claims, incorrectly reported certain non-travel expenses as travel expenses, did not consistently apply the GST rebate on certain travel allowances, used travel claims to approve non-travel expenses and did not always ensure relocation return-in-services agreements were in place for applicable employees.

The Authority was not adequately monitoring the usage and cost of its 89 cellular telephones.

The Authority contravened Government's *Guidelines for the Hiring of External Consultants* for two consulting contracts over \$50,000, by not obtaining 3 proposals or conducting a public call for proposals and in one of the two contracts, relating to the provision of orthodontist services, by not obtaining Cabinet approval for the contract. In this case, as well, the Authority had not reviewed the service arrangement since it was first put in place in 1998.

Capital assets inadequately controlled

Controls over the Authority's capital assets were inadequate and could result in missing assets not being detected. The Authority did not tag all of its assets once received and did not maintain a capital asset ledger. As well, periodic inventory counts were not performed and assets were not reconciled to the Authority's financial records.

In addition, the Authority did not monitor the costs and usage of its 77 vehicles, did not maintain vehicle logbooks to monitor vehicle usage, and did not record operating costs by vehicle to monitor vehicle costs.

Our follow-up In March 2009, we contacted the Authority requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report.

1. *The Authority should address its accumulated operating deficits and increasing bank indebtedness.*
2. *The Authority should integrate its accounts receivable systems, properly age patient receivables and ensure adequate follow-up on all receivables.*
3. *The Authority should fully integrate its two financial information systems.*
4. *The Authority should provide the Department of Health and Community Services with required monthly financial information.*
5. *The Authority should address its annual operating deficits and inadequate financial monitoring.*
6. *The Authority should ensure compensation practices are in line with Government policies.*
7. *The Authority should integrate its leave monitoring systems and ensure credit balances are adequately addressed.*
8. *The Authority should ensure policies and procedures are in place to monitor and report on banked overtime hours, and that the payment of overtime is in accordance with Government policy.*
9. *The Authority should ensure that employment contracts are in place to establish conditions of employment.*
10. *The Authority should comply with the Public Tender Act and Regulations.*
11. *The Authority should evaluate its food services contracts.*
12. *The Authority should ensure its travel and other expenses are consistent with Government policy.*
13. *The Authority should comply with Government's Guidelines for the Hiring of External Consultants.*

14. *The Authority should develop and implement policies and procedures governing the identification, recording, controlling, and monitoring of capital assets and ensure assets are tagged once received, all information is recorded in a capital asset ledger, and assets are periodically inventoried and reconciled to financial records.*
15. *The Authority should capture and monitor vehicle costs by vehicle and maintain vehicle logbooks.*

The updates provided by the Authority in response to our request are contained in this Report.

**Overall
conclusion**

Although the Labrador-Grenfell Regional Health Authority (the Authority) has made progress addressing the recommendations from our 2007 Report, some recommendations have not yet been fully addressed. To fully address the recommendations, the Authority will need to comply with Government policies and legislation in the following areas:

- the payment of double overtime to management staff during strike action;
- the reimbursement of relocation and recruitment costs in excess of Government relocation policies; and
- the provision of orthodontic services in accordance with Government's *Guidelines for the Hiring of External Consultants*.

Furthermore, the Authority has not improved its monitoring of capital assets and vehicle costs and usage. The Authority stated that it has drafted capital asset policies and will take future action to monitor vehicle usage and costs.

We disagree with the Authority on the position it has taken on three of our recommendations as follows:

- We disagree that the Authority has implemented recommendation number 6 because, although a portion of the calculated overpayment has been recovered, the Authority continues to compensate the Vice-President of Medical Services in excess of the approved salary for this position. We conclude that follow-up is required on recommendation number 6.

- We also disagree with the Authority's response to recommendation number 10 (change orders) and 12 (travel and other expenses). We maintain that change orders are subject to Board approval and that the Authority's travel and other expenses should be consistent with Government policy, which provides that Executives are those employees appointed by Cabinet. Given the Authority's position on these recommendations, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Authority should address its accumulated operating deficits and increasing bank indebtedness.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that the Authority was continually working with the Department of Health and Community Services, requesting additional funding and cash flow to meet its operating demands. The Authority maintained that it was never adequately funded from the beginning and with the increase in demands for services, short term borrowings were necessary. The Authority stated that it put forward revenue generating and cost saving measures to the Department of Health and Community Services to deal with its deficit; however the measures had not been approved.

**Entity's
response to
specific
questions**

The Authority was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Authority's accumulated operating deficit and increasing bank indebtedness improved since our review? How has the Authority's accumulated operating deficit and bank indebtedness changed since our review?

Response:

“No. For the year ended March 31, 2008 our deficit increased by \$1.2M. For the current year a similar increase is anticipated.”

Question No. 2:

Have revenue generating and cost saving measures been implemented by the Authority to address its accumulated operating deficit? If so, what measures have been taken? If not, what is the status on the measures?

Response:

“Yes. We have curtailed all but essential travel outside the region. In addition we have implemented market based pharmaceutical pricing and dispensing fees in southern Labrador. We also increased hostel fees and closed two ICU beds in St. Anthony.”

**Our
conclusion**

Follow-up Required

The Authority indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 2

The Authority should integrate its accounts receivable systems, properly age patient receivables and ensure adequate follow-up on all receivables.

**Entity’s
response from
previous report**

The Authority indicated in its response to the 2007 Report that the Authority had inherited two systems that were from a same vendor; however, the two systems had been implemented at different times and they were very different from each other. The Authority stated that it had started a process to review its Accounts Receivable systems.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Authority integrated its accounts receivable systems? If not, what is the status of the integration?

Response:

“No. This has not been done pending decisions surrounding the possible merger of our Meditech system with Western Health.”

**Our
conclusion**

Follow-up Required

The Authority indicated that the recommendation is still applicable; that they agree with the original recommendation; however, no action has been taken to implement the recommendation.

We agree with this response.

Recommendation No. 3

The Authority should fully integrate its two financial information systems.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that the Authority was able to combine its financial information onto one system at the end of its fiscal year for March 31, 2007. The Authority also stated that there was a plan in place to bring all of the sub-systems together to achieve one complete integrated system by end of the 2007-08 fiscal year.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Authority have a complete integrated financial system? If not, what sub-systems are not integrated?

Response:

“Everything except for accounts receivable is integrated.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority's actions have addressed our recommendation.

Recommendation No. 4

The Authority should provide the Department of Health and Community Services with required monthly financial information.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that a plan was in place to ensure that required financial reports to the Department via Teledata was maintained and up-to-date.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Are required financial reports submitted to the Department via Teledata up to date? What was the last monthly report submitted?

Response:

“Yes. December 2008.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority’s actions have addressed our recommendation.

Recommendation No. 5

The Authority should address its annual operating deficits and inadequate financial monitoring.

**Entity’s
response from
previous report**

The Authority indicated in its response to the 2007 Report that the Authority acknowledged that the projection of financial information during the fiscal year of 2005-06 was not reliable and that the lack of financial staffing in the start-up phase of the Authority contributed to this situation. The Authority also stated that a permanent Vice-President, Financial Services had been hired by the Authority in June 2007.

**Entity’s
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Authority have an appropriate staff complement to ensure its financial operations are adequately monitored?

Response:

“Labrador-Grenfell Health has a fully staffed accounting department, including a permanent Vice President hired in July 2007, a Regional Director of Financial Reporting and Control and a Regional Director of Budgeting and Financial Analysis.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority’s actions have addressed our recommendation.

Recommendation No. 6

The Authority should ensure compensation practices are in line with Government policies.

**Entity’s
response from
previous report**

The Authority indicated in its response to the 2007 Report that:

- with respect to the newly created positions, the Department of Health and Community Services had approved these positions and the Authority was not required to seek Treasury Board approval; and
- an overpayment occurred concerning the Associate Vice-President of Medical Services and that the amount outstanding from the employee was in the process of being recovered.

**Entity’s
response to
standard
questions**

In 2009, the Authority was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: “Yes”

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: “Yes”

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: “Yes”

We disagree that our recommendation has been implemented. Although a portion of the calculated overpayment has been recovered, the Authority continues to compensate the Vice-President of Medical Services in excess of the approved salary for this position.

**Entity’s
response to
specific
questions**

In addition to standard questions for each recommendation, the Authority was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Does the Authority seek Treasury Board approval for newly created positions?

Response:

“Many new positions are approved by the Dept. of Health and Community Services as part of the annual budget process, in line with the Dept.’s Strategic Directions. These new positions are formally communicated to the Health Authority in writing. Others are approved during the fiscal year as initiatives, in consultation with the [Authority], are announced and implemented by the Dept. of Health and Community Services. These are also communicated in writing.

If these new positions are unclassified, they are posted with the provision that they are “subject to classification” and the successful applicant and their supervisor submits them to the Classification and Pay Division of the Public Service Secretariat when a formal job description has been duly developed and in place for period of time.”

Question No. 2:

Has the overpayment to the Associate Vice-President of Medical Services been fully recovered?

Response:

“The over payment to the Associate VP of Medical Services, as calculated by Labrador-Grenfell Health, has been repaid in full (\$32,266).”

**Our
conclusion**

Follow-up Required

The Authority indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree that our recommendation has been implemented. Although a portion of the calculated overpayment has been recovered, the Authority continues to compensate the Vice-President of Medical Services in excess of the approved salary for this position.

Recommendation No. 7

The Authority should integrate its leave monitoring systems and ensure credit balances are adequately addressed.

**Entity’s
response from
previous report**

The Authority did not provide any comments in its response to the 2007 Report related to the recommendation for the integration of its leave monitoring system.

**Entity’s
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their response is contained in the following section.

Question No. 1:

Has the Authority integrated its leave monitoring systems? If not, what is the status of the integration?

Response:

“As part of the consolidation of the payroll systems on March 31, 2008 of the two former boards, the leave balances are now integrated. This allows for much better monitoring of balances through consolidated reporting.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority’s actions have addressed our recommendation.

Recommendation No. 8

The Authority should ensure policies and procedures are in place to monitor and report on banked overtime hours, and that the payment of overtime is in accordance with Government policy.

**Entity’s
response from
previous report**

The Authority indicated in its response to the 2007 Report that:

- a thorough review of the overtime balances had been completed and that the Regional Director regularly reviewed overtime balances; and
- with respect to management overtime, it was the practice throughout the healthcare system that management employees working during a strike situation were paid overtime at double time rates for all hours worked outside normal work hours.

**Entity's
response to
specific
questions**

The Authority was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following section.

Question No. 1:

Did the Authority develop a policy governing the accruing of overtime in lieu of pay or the payment or use of these hours? If not, what is the status?

Response:

“The Authority has developed guidelines for the accruing and payment of Overtime Hours. The Authority has also developed guidelines for the interpretation of the various collective agreements in relation to payment/accruing of the same. Furthermore, as a result of the consolidation of the payroll systems, all overtime banks are now captured electronically on the Meditech system, rather than in a manual, paper-based system that had existed at the former GRHS Board.”

Question No. 2:

Has the Authority received any direction from Treasury Board regarding the discontinuance of the payment of overtime at double time rates for management staff during strike action as appropriate?

Response:

“The Authority is not aware of any further direction in this matter.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority's actions have addressed our recommendation.

Recommendation No. 9

The Authority should ensure that employment contracts are in place to establish conditions of employment.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that the individual under contract worked on a part-time basis under a mutual contract arrangement but had their hours increased to full-time.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Authority enter into signed employment contracts for all contractual employees? If not, what is the status?

Response:

“Labrador-Grenfell Health uses different templates depending on the type of contractual employment relationship.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority's actions have addressed our recommendation.

Recommendation No. 10

The Authority should comply with the Public Tender Act and Regulations.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that:

- the Authority approved all the change orders for capital projects; however, it acknowledged that Board approval was not provided; and
 - although not documented, it was self-evident why some tenders did not meet tender specifications.
-

**Entity's
response to
specific
questions**

The Authority was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Does the Board approve change orders and extensions where required? If not, what is the status?

Response:

“Change orders are an operational issue, and are not subject to Board approval.”

We disagree with the Authority that change orders are not subject to Board approval. The Authority is not complying with the *Public Tender Act* as the approval of the Board of Directors is required for contract extensions or change orders that are in excess of established limits as prescribed in the *Act*. We maintain that, for the Authority to state change orders are an operational issue and are not subject to Board approval, is in direct conflict with the *Act*.

Question No. 2:

Do tender files now include documentation to support why tenders do not meet specifications? If so, what form would the documentation take? If not, what is the status?

Response:

“The documentation would be in notation form on the tender evaluation.”

**Our
conclusion**

Follow-up Not Required

The Authority indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We disagree with the Authority that change orders are not subject to Board approval. The Authority is not complying with the *Public Tender Act* as the approval of the Board of Directors is required for contract extensions or change orders that are in excess of established limits as prescribed in the *Act*. We maintain that, for the Authority to state change orders are an operational issue and are not subject to Board approval, is in direct conflict with the *Act*. Given the Authority's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 11

The Authority should evaluate its food services contracts.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that a Request for Proposals for Dietary, Housekeeping and Laundry Services had been issued in July 2007 and that it was reviewing the proposals.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their response is contained in the following section.

Question No. 1:

What were the results of the July 2007 Request for Proposal for Dietary, Housekeeping and Laundry Services?

Response:

"Tendered and awarded to [the successful bidder]."

**Our
conclusion**

Follow-up Not Required

We agree that the Authority's actions have addressed our recommendation.

Recommendation No. 12

The Authority should ensure its travel and other expenses are consistent with Government policy.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that:

- with respect to the senior management positions being reimbursed at the Executive Level, the Authority was following the practice of other authorities who have employees on the pay for points scale; and
 - return in service agreements were included in letters of appointment and that any collection action that may have been required had been initiated. The Authority stated it had taken steps to ensure it improved the documentation supporting the payment of relocation expenses.
-

**Entity's
response to
standard
questions**

In 2009, the Authority was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)

Response: "Yes"

- If still applicable, do you agree with original recommendation? (Yes/No)

Response: "No"

We disagree with the Authority and maintain that the Authority's travel and other expenses should be consistent with Government policy, which provides that Executives are those employees appointed by Cabinet.

- If you agree with recommendation, has it been implemented? (Yes/No)

Response: "N/A"

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Authority was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Are senior management employees who are on the pay for points scale reimbursed using Executive travel rates? If not, what is the status?

Response:

“Yes. The Authority continues to reimburse its senior management employees who are on the pay for points scale at the Executive Travel Rates.”

Question No. 2:

Have recoveries been made because of the Authority's non-compliance with Government's relocation policies? If so, what recoveries were made? If not, what is the status?

Response:

“The Authority has not attempted to recover any of these items as all involve hard-to-recruit employees. The employment relationship, with those who are still with the Authority, would be very negatively impacted.”

**Our
conclusion**

Follow-up Not Required

The Authority indicated that the recommendation is still applicable; however, the Authority does not agree with the original recommendation and continues to reimburse senior management employees who are on the pay for points scale at Executive travel rates whereas Government policy defines Executive as those employees appointed by Cabinet.

We disagree with the Authority and maintain that the Authority's travel and other expenses should be consistent with Government policy, which provides that Executives are those employees appointed by Cabinet. Given the Authority's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 13

The Authority should comply with Government's Guidelines for the Hiring of External Consultants.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that, concerning the financial consultant, a call for proposals was not considered necessary due to the urgency to have a replacement for the position, the availability of the financial consultant and that the negotiated cost was based on the salaried position.

The Authority did not comment on issues related to the services of the Orthodontist's service agreement.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Authority reviewed its Orthodontist service arrangement to determine if it is financially beneficial to the Authority or if alternative arrangements are available? If not, what is the status?

Response:

“Labrador-Grenfell Health continues to seek other Orthodontists willing to practice in Labrador, without success. In the near future, a further review will be conducted.”

**Our
conclusion**

Follow-up Not Required

We agree that the Authority's actions have addressed our recommendation.

Recommendation No. 14

The Authority should develop and implement policies and procedures governing the identification, recording, controlling, and monitoring of capital assets and ensure assets are tagged once received, all information is recorded in a capital asset ledger, and assets are periodically inventoried and reconciled to financial records.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that it was reviewing and developing capital assets policy with respect to monitoring and safeguarding assets.

**Entity's
response to
specific
questions**

The Authority was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Authority reviewed and developed capital assets policy with respect to monitoring and safeguarding assets? If not, what is the status?

Response:

“Draft capital asset policies have been developed, but are under further review prior to implementation.”

**Our
conclusion**

Follow-up Required

The Authority indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 15

The Authority should capture and monitor vehicle costs by vehicle and maintain vehicle logbooks.

**Entity's
response from
previous report**

The Authority indicated in its response to the 2007 Report that it had entered into an agreement with a local vendor for vehicle repairs and that the vendor was tracking repair costs for each vehicle.

**Entity's
response to
specific
questions**

The Authority was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Are vehicle costs by vehicle being captured through the vendor agreement and monitored by the Authority? If not, what is the status?

Response:

“Vehicle repairs are tendered and are mostly being carried out by two vendors. We track the expenditure by vehicle facility code and vendor. Currently we are not tracking by specific vehicle number but intend to do so in the very near future after the award of the fuel contract.”

Question No. 2:

Are vehicle log books kept in each vehicle and reviewed by the Authority? If not, what is the status?

Response:

“Logbooks are not installed but will be when we get the system set up with fuel and finance.”

**Our
conclusion**

Follow-up Required

The Authority indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.



Highlights

Highlights of an update on the review of the MCP Physicians Fee for Service Audit Process within the Department of Health and Community Services' Newfoundland and Labrador Medical Care Plan as at 31 March 2007.

Purpose of Our Review

In 2007, we performed a review of the Medical Care Plan (MCP) Physician Fee for Service (FFS) audit process at the Department to determine whether:

- policies and procedures used to audit payments to Fee For Service physicians were adequate to ensure that only legitimate and accurate claims have been paid; and
- any overpayments identified through audits have been recovered.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.

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To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.17

DEPARTMENT OF HEALTH AND COMMUNITY SERVICES

MCP Physician Fee for Service Audit Process
2007 Annual Report, Part 2.11

Recommendations

In February 2009, we contacted the Department of Health and Community Services (the Department) requesting an update as to any further progress made on the following recommendation that was contained in our 2007 Report:

1. *The Department should continue its efforts in auditing payments to FFS physicians to ensure that only legitimate and accurate payments have been made.*

Areas of Disagreement

None.

Overall Conclusion

Since our review in 2007, the Department of Health and Community Services has taken action to address our findings and recommendation. The Department has increased the number of audits started and reduced the time it takes to complete an audit. We conclude that no follow-up is required on this recommendation.

MCP Physician Fee for Service Audit Process (2007 Annual Report, Part 2.11)

Introduction In 2007, we performed a review of the Medical Care Plan (MCP) Physician Fee for Service (FFS) audit process at the Department of Health and Community Services (the Department). We conducted our audit to determine whether: policies and procedures used to audit payments to Fee For Service physicians were adequate to ensure that only legitimate and accurate claims have been paid; and any overpayments identified through audits have been recovered.

What we found As a result of our review, we reached the following overall conclusions:

In 2006-07, payments to physicians from the MCP amounted to \$289.0 million. Of this amount, approximately \$206.1 million or 71.3% was paid to physicians who submitted claims on a FFS basis. The focus of this review was the audits of FFS payments conducted by the Division. These payments are made on the basis of claims submitted by physicians for insurable services and are paid through a computerized payment system operated by MCP.

We concluded that since the transfer of the MCP to the Department on 1 April 2000, the Division has not been able to carry out its mandate to ensure that only legitimate and accurate claims are paid to FFS physicians. During the 10 years ending 1 April 2000, there were approximately 438 audits (average of 44 audits per year) of FFS physicians started; however, from 1 April 2000 to 31 March 2007 only 48 audits (average of 7 audits per year) in total were started. The reduction in audit activity came at a time when FFS payments were increasing significantly i.e. from \$127.8 million in 2000-01 to \$206.1 million in 2006-07 (for a total of \$1.2 billion over the seven year period). We would have expected that as FFS payments increased, audit activity would increase rather than decrease. The extent of the reduction is of concern and was attributed by officials to such things as staffing issues resulting from Government regionalization which transferred MCP claims processing to Grand Falls-Windsor 1 July 2001, and audits placed “on hold” during the Joint MCP Audit Review Committee (Report January 2003).

Review of audit files

Of the 48 audits which were started since 1 April 2000, 31 were closed and 17 were in progress as at 31 March 2007. Of the 31 closed files, 11 had satisfactory claims documentation, 7 were closed without being completed due to lack of audit resources and 13 were closed for other reasons. It was noted that the 7 files which were closed for lack of resources were flagged for another review after one year; however, this was not done.

Time frames for audits

We found that audits took a significant amount of time to complete. For example, some audits took almost 9 years to complete. These delays have resulted in significant issues in recovering FFS overpayments.

Varying recovery rates

Although audits conducted by the Division result in significant potential to recover monies owed to the Department, in 2003 the Department implemented an Alternate Dispute Resolution (ADR) negotiation process to settle on an amount to be repaid, rather than require the repayment in full. Prior to 2003, there was no ADR process. Instead, any overpayments were fully recovered unless there was a legitimate misinterpretation of the rate schedule or if legal action resulted in a change in the amount recovered. Since the ADR process was implemented in 2003, the recovery of overpayments has been reduced. The recovery of overpayments through the ADR process for a sample of five audits closed in 2006 resulted in an average recovery of 57.2% of the overpaid amounts. The rate recovered varies on a case by case basis as indicated by the negotiated recovery on a \$662,487 overpayment where the recovery was only \$175,000 or 26.4%.

Our follow-up

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendation that was included in our 2007 Report:

- 1. The Department should continue its efforts in auditing payments to FFS physicians to ensure that only legitimate and accurate payments have been made.*

The update provided by the Department in response to our request is contained in this Report.

Overall conclusion

Since our review in 2007, the Department of Health and Community Services has taken actions to address our findings and recommendation. The Department has increased the number of audits started and reduced the time it takes to complete an audit.

We conclude that no follow-up is required on this recommendation.

Recommendation No. 1

The Department should continue its efforts in auditing payments to FFS physicians to ensure that only legitimate and accurate payments have been made.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 report that the MCP audit function had undergone considerable changes in the past 20 years as it continued to evolve and adapt to environmental changes, changing demographics (both physicians and beneficiaries of the plan) and technological advances. This trend was expected to continue as the Division continually scanned the horizon for changing trends or events that might impact or improve the audit process.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

What evidence is available, if any, to indicate that the Claims Monitoring System (CMS) is accurately monitoring billing activities? For example, does the Audit Division maintain statistics on the effectiveness of the CMS process?

Response:

“The Department closely monitors the activity of the CMS and produces a number of analysis reports monthly. These reports facilitate monitoring activity at the various stages of the CMS as well as identifying specific fee code groups where problems are occurring. In addition, we track individual physicians through the higher stages and provide advice and coaching where appropriate to educate physicians in appropriate billing and documentation.”

Question No. 2:

How many comprehensive audits of physicians, if any, have resulted from the CMS process?

Response:

“There are no audits currently in process that are directly attributable to the CMS process. At present, CMS is used to monitor and track claim billing on a global basis, whereas audits in general are more focused to specific fee code areas. CMS is another tool in the Medical Audit process and is not intended to be the sole identifier of potential audit subjects. However, CMS claims are often referenced in deciding whether to initiate an audit on a physician using the other audit procedures noted in the answer to question #3 below.”

Question No. 3:

What other audit procedures, if any, are being carried out to ensure that only legitimate and accurate payments have been made? (e.g. analytical review to identify procedures being billed by physicians far in excess of their peers?) If none, why not?

Response:

“CMS is one of six outcomes that can initiate an audit of Medical Fee for Service claims; the other five can be found on the MCP web-site (<http://www.health.gov.nl.ca/mcp/html/pim.htm>) and are listed below:

- Beneficiary Verification Audits
- Complaints or Voluntary Information
- Physician Practice Profiles
- Audits of Targeted fee Codes/Premium Codes
- Beneficiary Utilization Audits

**MCP Physician Fee for Service Audit Process
(2007 Annual Report, Part 2.11)**

The most common initiator of Medical Fee for Service audits is the review of statistical reports found in the Department's Provider Practice Profiles or the General Statistical Reports. Audit staff routinely review the various statistical reports that are available in search of aberrant billing patterns and prepare written analysis on the findings. It is expected that 75 such reports will be completed within fiscal 2008/09 based on the number completed to date.

The Manager of Medical Audit and Compliance meets on a regular basis with the Assistant Director of Physician Services to review the analysis reports and determine whether to proceed with an audit. Audits are initiated after considering factors such as the amount of the potential mis-billings, billings relative to peer comparisons, or results of CMS record samples."

Question No. 4:

Does the Audit Division now have adequate staff to carry out its mandate? If not, how many additional staff are required?

Response:

"Audit division resources are allocated annually to meet the division's mandate. The Department is planning on reviewing the Claims Monitoring System in the Fall of 2009 and will assess staffing levels at that time."

Question No. 5:

What is the current status of audits completed, in progress or in alternate dispute resolution?

Response:

"Following is a table detailing the status of the currently active audit files:

Closed within Fiscal 2008/09	16
Appeal/ADR	2
Awaiting Presentation to MCC	5
Comprehensive (in review)	6
Preliminary	5

**MCP Physician Fee for Service Audit Process
(2007 Annual Report, Part 2.11)**

The Auditor General expressed concern over the time required to complete an audit from inception. Considerable effort has been put forward in the past 18 months to address a backlog of audits. Among the 16 files closed in the current year, 9 are Comprehensive Audits that were initiated in prior fiscal years.

Also worthy of note is the fact that included in the 18 currently active audit files, only three related to prior fiscal years and two of these audits will be presented to an upcoming MCC meeting. The two audits in ADR were initiated since April 1, 2008.”

Question No. 6:

Is extrapolation of error amounts still used to estimate overpayments? If not, what were the circumstances that resulted in the discontinuance of that process?

Response:

“Extrapolation is used to estimate overpayment amounts for all Comprehensive Audits. Extrapolation is not used where an audit is closed at the Preliminary stage. In such cases, only the claims found to be in error are recovered. This is done since the sample is not large enough to give an acceptable confidence interval when statistical significance is considered.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

**MCP Physician Fee for Service Audit Process
(2007 Annual Report, Part 2.11)**



Highlights

Highlights of an update on the review of the income support program at the Department of Human Resources, Labour and Employment.

Purpose of Our Review

In 2005, we performed a review of the income support program at the Department to:

- document the processes that the Department used to monitor the program;
- determine if the monitoring was adequate; and
- determine if the Department's client database was accurate enough to enable it to deliver and monitor its income support program.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.18

DEPARTMENT OF HUMAN RESOURCES, LABOUR AND EMPLOYMENT

Income Support Program

2005 Annual Report, Part 2.15; Update: 2007, Part 3.2.17

Recommendations

We first monitored this item in 2007. While the Department of Human Resources, Labour and Employment (the Department) reported that some recommendations had been implemented, other recommendations had not been fully implemented. Therefore, in February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

1. *The Department should provide for the communication of interface procedure results to senior staff or Executive.*
2. *The Department should consider wider application of the telephone eligibility confirmation process.*
3. *The Department should conduct more frequent audits of district offices.*
4. *The Department should complete all investigations.*
5. *The Department should establish performance indicators to assess the effectiveness of the integrity measures.*

Areas of Disagreement

We disagree that the Department has implemented the recommendation number 4 related to completion of all investigations. The Department's interpretation of the *Regulations* is that they should terminate an investigation just because the investigation has not been completed within the required four month time frame. We maintain that the *Regulations* require that investigations be *completed* within four months of being assigned.

Overall Conclusion

We conclude that the Department has taken actions to address our concerns on four of the five recommendations. We conclude that no follow-up is required on recommendation numbers 1, 2, 3 and 5. With respect to the recommendation number 4 related to completion of investigations, given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.

Income Support Program (2005 Annual Report, Part 2.15; Update: 2007, Part 3.2.17)

Introduction In 2005, we performed a review of the income support program at the Department of Human Resources, Labour and Employment (the Department). The Income Support Program is delivered under authority of the *Income and Employment Support Act* and *Regulations*. We conducted our review to:

- document the processes that the Department used to monitor the program;
 - determine if the monitoring was adequate; and
 - determine if the Department's client database was accurate enough to enable it to deliver and monitor its income support program.
-

What we found As a result of our review, we reached the following overall conclusions:

- The interface process was not always performed or acted upon in a timely manner and did not include a formal process for communicating results to senior staff or Executive.
- While the Telephone Eligibility Confirmation process worked well to reveal errors, ultimately saving the Department money, it was not being applied widely enough. Furthermore, there was no evidence that errors identified had been corrected in the Department's database.
- Divisional offices were not being audited frequently enough.
- Cycle reviews were not always completed in accordance with established frequency.
- Investigations were taking too long to complete.
- The Department had not established performance indicators which could be used to assess the effectiveness of the integrity measures which were designed to increase assurance that only eligible clients were receiving income support and that employment support was being provided to clients in cases where it would be beneficial.

Our follow-up

We first monitored this item in 2007. While the Department reported that some recommendations had been implemented, other recommendations had not been fully implemented. Therefore, in February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

1. *The Department should provide for the communication of interface procedure results to senior staff or Executive.*
2. *The Department should consider wider application of the telephone eligibility confirmation process.*
3. *The Department should conduct more frequent audits of district offices.*
4. *The Department should complete all investigations.*
5. *The Department should establish performance indicators to assess the effectiveness of the integrity measures.*

The updates provided by the Department in response to our request are contained in this Report.

Overall conclusion

We conclude that the Department of Human Resources, Labour and Employment:

- provides for the communication of interface procedure results to senior staff or Executive;
- applies the Telephone Eligibility Confirmation process to a wider variety of projects;
- conducts more frequent audits of district offices; and
- has established performance indicators to assess the effectiveness of the integrity measures.

Therefore, we conclude that no follow-up is required on recommendation numbers 1, 2, 3 and 5.

We disagree with the Department's position on recommendation number 4 related to completion of all investigations. The Department indicated that they have terminated investigations because they were not concluded within four months. In our original report, we indicated that we did not agree with the Department's interpretation of the *Regulations* whereby they terminate an investigation just because the investigation has not been completed within the required four month time frame.

The *Regulations* require that investigations be *completed* within four months of being assigned; therefore, it is our opinion that our original recommendation with respect to this matter has not been implemented. Given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Department should provide for the communication of interface procedure results to senior staff or Executive.

**Entity's
response from
previous report**

The Department indicated in response to our 2007 follow-up report request that quarterly reports on interfaces had been developed and were generated summarizing the results on a cumulative, quarterly basis, or as required by senior staff or the executive. The Department also indicated that it had established a broader statistical, financial and non-financial reporting system to capture the data.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Are the reports still being generated on a quarterly basis?

Response: "Reports are generated quarterly."

Question No. 2:

Are the reports provided to senior staff and Executive on a quarterly basis?

Response:

“Reports are provided to the Director of Income Support on a quarterly basis and provided to the Executive on an “as needed” basis. In addition to these financial reports, the Director of Income Support receives monthly updates regarding the number and type of interface records that remain outstanding for any given month.”

Question No. 3:

How are these reports used by senior staff and Executive? Are the reports reviewed by senior staff and Executive, with questions/concerns being addressed in a timely manner?

Response:

“These reports are utilized by the Director of Income Support to monitor the results of interface activity. The Director reviews the reports to identify trends in the level of activity on the various interfaces and the amount of savings realized through suspensions of cases and overpayments created on client files. Any questions or concerns are identified and directed back to the Manager of Eligibility Assurance Services for follow-up with service delivery staff.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 2

The Department should consider wider application of the telephone eligibility confirmation process.

**Entity’s
response from
previous report**

The Department indicated in response to our 2007 follow-up report request that it had given serious consideration to the suggestion of expanding the role of Telephone Eligibility Confirmation (TEC) workers and had implemented several new TEC initiatives since the 2005 Report.

The Department also indicated that TEC staff were regularly utilized to:

- obtain confirmation of school attendance from clients in support of the High School Incentive Allowance;
- conduct surveys; and
- process legal name changes in the Client Automated Payment System (CAPS).

The Department also indicated that it may consider additional roles for TEC staff where they deem it appropriate and necessary.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Telephone Eligibility Confirmation process been applied to a wider segment of income support clients?

Response:

“Yes. We have now included additional roles for Telephone Eligibility Confirmation (TEC) staff as indicated in the 2007 report update. First and foremost, the concentration of work has continued to be the confirmation of eligibility for income support clients. However, Eligibility Assurance Services has expanded two existing TEC projects – including the issuance of training and high school incentive allowances. These projects are now being completed twice a year as opposed to once per year. The Department has also expanded the scope of the TEC interview process and introduced a new TEC interview sheet that is used for all new and reopened cases. As part of the new process, not only does TEC staff ensure continued eligibility for income support benefits, but they also ensure that clients are made aware of a range of other programs and services within government and the community that they may be able to access. For example, based on the profile of the client, information may be provided about other departmental programs (i.e. Career, Employment and Youth Services and Family Justice Services for child support), the educational incentive under NLHC and the importance of filing income tax returns to receive child tax benefits and HST rebates, etc. The goal is to ensure that the clients receive any benefits to which they may be entitled.”

Question No. 2:

What types of duties are assigned to TEC staff besides conducting Telephone Eligibility Confirmation projects? How have the additional duties assigned to the TEC staff assisted in the monitoring of the delivery of the Income Support Program?

Response:

“The primary function of the TEC staff is to conduct projects that are directly related to confirming eligibility within the delivery of the Income Support Program. On occasion, other special projects may be assigned to TEC staff to support other aspects of eligibility confirmation or the administration of the Income Support Program. An example of this was to collect MCP numbers for active income support clients. This was necessary to ensure that accurate data was provided to the Newfoundland and Labrador Drug Prescription Drug Program for the administration of the Foundation Plan (drug program for income support clients). The Department remains satisfied with the current role of TEC workers and the contribution that they make to Eligibility Assurance Services and the monitoring of the delivery of the Income Support Program.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 3

The Department should conduct more frequent audits of district offices.

**Entity’s
response from
previous report**

The Department indicated in response to our 2007 follow-up report request that there was significant staff turnover in the Internal Audit Division in early 2006 and it did not fill the positions as changes were being considered to the composition and reporting structure of the Division.

The Department indicated that the revised organizational structure had been approved. Furthermore, it was indicated that an audit manager had been hired, staffing of the two auditor positions was nearing completion, and regular and frequent district office audits would recommence during the 2007-2008 fiscal year.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

What is the approved staff complement of the Internal Audit Division? Were there any vacancies during the 2007-2008 fiscal year and the 2008-2009 fiscal year to date?

Response:

“The approved staff complement includes a Manager of Internal Audit (HL-21) and two Senior Departmental Audit Officers (GS-35). The Manager of Internal Audit position was filled through competition in July 2007 and the two Senior Departmental Audit Officer positions were filled through competition in December 2007. One of the Senior Departmental Audit Officer positions became vacant in December 2008. Recruitment is currently underway and should be completed by the end of March 2009.”

Question No. 2:

For the 2007-2008 fiscal year and the 2008-2009 fiscal year to date:

- How many District Offices did the Department operate?

Response: “Twenty seven offices.”

- How many District Offices were audited by the Internal Audit Division?

Response:

“There were 11 offices audited. Offices are audited through the use of on-site visits as well as desk audits performed with respect to policy compliance. Although all offices have not been physically visited, audits in the area of policy compliance may encompass multiple offices.”

- What were the results (e.g. issues identified) of these audits?

Response:

“The audits of HRLE’s offices have identified some internal control weaknesses in financial administrative areas including cash receipts, petty cash, purchasing and records management. Action has been taken to strengthen controls in these areas. Minor areas of non-compliance with policies and procedures have been identified and are being addressed. In addition, the audits have identified areas where enhancements to current policies and procedures are required to improve controls and service standards.”

Question No. 3:

Does the Internal Audit Division have a planning process to address areas including: frequency of District Office audits, prioritizing District Offices for audit, and identifying what is to be reviewed during an audit?

Response:

“Planning process for 2008-09 included consultation with management of HRLE and review of previous years Auditor General recommendations to identify areas of concern. For 2009-10, this process will also include an audit committee which will meet regularly to determine, assess and revise an audit plan on an on-going basis.

Offices will have on-site audits conducted once every two years. Results from these on-site audits will be combined with results of on-going desk audit reviews of CAPS/TRIM data to provide a more comprehensive analysis of the Department’s operations. Due to this high frequency of visits, a prioritization process is not required.

Audit programs are being developed as a part of the audit planning process for new projects.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 4

The Department should complete all investigations.

**Entity's
response from
previous report**

The Department indicated in response to our 2007 follow-up report request that in an effort to alleviate some of these concerns in future, the Income Support Division had developed a means of tracking outstanding investigations and would monitor assigned investigations on a regular basis to ensure cases were closed in a timely manner.

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? (Yes/No)
Response: "Yes"
- If still applicable, do you agree with original recommendation? (Yes/No)
Response: "Yes"
- If you agree with recommendation, has it been implemented? (Yes/No)
Response: "Yes"

We disagree with the Department that the recommendation has been implemented as they have indicated that they have terminated investigations because they were not concluded within four months. In our original report, we indicated that we did not agree with the Department's interpretation of the *Regulations* whereby they terminate an investigation just because the investigation has not been completed within the required four month time frame. The *Regulations* require that investigations be *completed* within four months of being assigned.

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to specific questions unique to each recommendation. A summary of the information provided by the Department or their verbatim responses are contained in the following sections as appropriate.

Question No. 1:

For the 2007-2008 fiscal year and the 2008-2009 fiscal year to date:

- What was the average time that it took to conclude an investigation?

Response:

“FY 2007-08: 149 days

FY 2008-09: 114 days”

- Were there any investigations that were terminated because they were not concluded within four months?

Response:

“Yes. While the Department strives to ensure that investigations are completed within the legislative time frame, there are occasions when this time frame is exceeded. Section 46 of the *Income and Employment Support Regulations* addresses investigations. Specifically paragraph 46(3)(b)(v) states that “an officer performing an investigation shall complete the investigation within 4 months of it being assigned.” The Department is compelled by this section to terminate any investigation not completed within the four month timeframe. This interpretation of the *Regulations* is supported by a legal opinion from the Department of Justice. We have been advised that the language of this section is mandatory. If an investigation is not completed within four months, it must be closed. To do otherwise, would be contrary to the wording of paragraph 46(3)(b)(v). If at a later date additional information is received, the Department would commence a new investigation.”

- What were the results (e.g. termination of eligibility, overpayments) of these investigations?

Information provided:

During these two fiscal years, some of the results of the Department's investigations included: 414 investigations which resulted in either a full or partial suspension, 115 investigations which identified overpayments, and 845 investigations where the issue involved was determined to be unfounded or there was insufficient evidence.

Question No. 2:

Would you provide a current summary of outstanding investigations, including the length of time that the investigations have been outstanding?

Response:

“The Department has developed a report which identifies cases once they have exceeded the four month time frame without having been closed. This report is shared with service delivery staff so that the investigation can be concluded or closed. This report is generated once per month. From the last data set obtained as of January 31, 2009, there were 31 investigations outstanding beyond the four month time frame. Utilizing the report indicated above, staff were notified of these cases and the investigations have now all been concluded or closed.

In some of the cases noted the investigations were completed but not officially closed from the system. In other cases, as per the legislative requirement of Section 46, the cases were closed because they exceeded the four month timeframe. Since February 2009, the Eligibility Assurance Unit at [the] Provincial Office has implemented a monthly report to monitor the progress on investigations to ensure that investigations are completed within the four month timeframe.”

Question No. 3:

How does the Department monitor outstanding investigations to ensure cases were closed in a timely manner? What sort of follow-up is performed on cases that are slow to be concluded?

Response:

“In late 2007, the Department introduced a monthly report to track investigations that were outstanding for more than four months. The report is forwarded to Client Service Managers and Regional Managers for action. These reports are required to be returned to Provincial Office.

Any reports that are not submitted in a timely manner are followed-up by Provincial Office. This report is now completed on a monthly basis.”

**Our
conclusion**

Follow-up Not Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation has been implemented.

We disagree with the Department that the recommendation has been implemented as they have indicated that they have terminated investigations because they were not concluded within four months. In our original report, we indicated that we did not agree with the Department’s interpretation of the *Regulations* whereby they terminate an investigation just because the investigation has not been completed within the required four month time frame. The *Regulations* require that investigations be *completed* within four months of being assigned.

Given the Department’s position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 5

The Department should establish performance indicators to assess the effectiveness of the integrity measures.

Entity's response from previous report

The Department indicated in response to our 2007 follow-up report request that their service delivery model was still evolving and management remained involved in determining the correct complement of staff required and where refinements were necessary to provide a quality service to clients along with financial accountability.

The Department indicated that as they move beyond these refinements, it would be in a much better position to consider the concept of performance indicators as they relate to eligibility assurance services.

Entity's response to specific questions

The Department was asked to respond to specific questions unique to this recommendation. A summary of the information provided by the Department in relation to Question No. 1 and their verbatim response to Question No. 2 are contained in the following sections.

Question No. 1:

Have there been any performance indicators established to assess the effectiveness of integrity measures within the Income Support Program?

Information provided:

The Department provided the following list of performance indicators that it has established:

- Investigations are to be concluded within 4 months of being assigned to a staff person;
- All new and reopened cases (some exceptions granted) are subject to a Telephone Eligibility Confirmation process within 6 months of the client beginning to receive income support benefits. These cases are monitored for follow-up where there are changes to the allowances as a result of the review.

- All clients with a mortgage are required to re-establish their eligibility for mortgage benefits each January through the annual Mortgage Review Process.
- All cases are reviewed at least every three years with more frequent reviews of newer clients and those with higher risk factors, through the Review Cycle process.
- All families approved for the High School Incentive Allowance are reviewed two additional times during the school year after they provide initial verification of eligibility for this allowance.
- Interfaces are completed on a regular basis to ensure continued eligibility for benefits.
- All offices will have on-site audits completed every second year.

Monitoring of these indicators is ongoing which includes follow-up, assessing outcomes and cost savings to the program.

Question No. 2:

If performance indicators are established, how are they used? For example, how often is performance assessed and what has been the results of these assessments? Is corrective action taken to address problems noted with the performance assessments? Are senior staff or Executive made aware of the results of the performance assessments?

Response:

“Performance indicators are used to measure the integrity of the Income Support Program. Comparisons are made on year-to-year data as well as to identify areas where corrective action needs to be taken. Depending on the actual indicator, there are various time frames associated with each – for example investigations are to be concluded within 4 months of being assigned to a staff person. Where cases remain open after 4 months, action is taken by EAS staff to contact the applicable region to resolve the case. In all cases, corrective action is taken to address any discrepancies. Senior staff monitor the results of these indicators and information is made available to the Executive as required.”

Income Support Program
(2005 Annual Report, Part 2.15; Update: 2007, Part 3.2.17)

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.



Highlights

Highlights of an update on a review of small business funding programs for the period 1 April 2005 to 31 March 2006 as well as other projects funded directly by the Department for the year ended 31 March 2006.

Purpose of Our Review

In 2007, we performed a review of the Small Business Funding Programs administered under the Department to determine whether the Department:

- adequately assessed and approved project applications;
- ensured payments were adequately supported and approved; and
- monitored approved projects.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.19

DEPARTMENT OF INNOVATION, TRADE AND RURAL DEVELOPMENT

Small Business Funding Program
2007 Annual Report, Part 2.14

Recommendations

In February 2009, we contacted the Department of Innovation, Trade and Rural Development (the Department) requesting an update as to any further progress made on the following recommendation that was included in our 2007 Report:

1. *The Department should ensure all required documentation is on file to support applications, payments for funding and monitoring.*

Areas of Disagreement

None.

Overall Conclusion

The Department has not fully implemented our recommendation. The Department has not implemented its Internal Audit function process or updated its Policy and Procedures Manual which is required to ensure that all required documentation is on file to support applications, payments for funding, and monitoring. We conclude that follow-up is required on this recommendation.

Introduction In 2007, we performed a review of the Small Business Funding Programs administered under the Department of Innovation Trade and Rural Development (the Department). We undertook this review to determine whether the Department adequately assessed and approved project applications; ensured payments were adequately supported and approved; and monitored approved projects.

What we found Overall, we had concerns with the Department's assessment, approval, disbursement and monitoring of loans and investments under the SME Fund and the SBMD Program. Specifically:

- loans were provided to businesses which appeared to be non-financially viable;
- complete application information was not always obtained;
- funding was not always approved in accordance with Department policy;
- security was either not always obtained or not always registered;
- adequate documentation was not always provided to support expenses claimed;
- applicants' investment was not always verified;
- companies provided with funding were not always adequately monitored; and
- companies which had not complied with conditions in previous Offers of Financing were provided additional funding.

In addition, we were of the opinion that there was no explicit authority under the *Financial Administration Act* for the Department to make direct investments in three companies. There were also no documented due diligence procedures for approving, disbursing and monitoring such direct investments and we found inconsistencies between the requirements under the SME Fund and for the three direct investments reviewed.

Our follow-up In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendation that was included in our 2007 Report.

- 1. The Department should ensure all required documentation is on file to support applications, payments for funding and monitoring.*

The update provided by the Department in response to our request is contained in this Report.

Overall conclusion

The Department of Innovation, Trade and Rural Development has not fully implemented our recommendation. The Department has not implemented its Internal Audit function process or updated its Policy and Procedures Manual which is required to ensure that all required documentation is on file to support applications, payments for funding, and monitoring.

We conclude that follow-up is required on this recommendation.

Recommendation No. 1

The Department should ensure all required documentation is on file to support applications, payments for funding and monitoring.

Entity's response from previous report

The Department indicated in its response to the 2007 Report that they concurred that in some cases all the documentation outlined in the manual was not obtained in a timely manner and placed on file. In situations where there were deficiencies, they would ensure that the documentation is on file where necessary and practical.

Entity's response to specific questions

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

How does the Department ensure all required documentation for processing applications, payments of funding, and monitoring is on file for each client?

Response:

“As a follow up to your report item, the Department undertook the following actions:

- Regional and Corporate office staff were made aware of your concerns and were advised to make every effort to ensure that files were documented to the extent possible, as required by the Policy and Procedures Manual, prior to processing funding requests and making any approved disbursements; and
 - The SME Policy and Procedures Manual has been reviewed to ensure that documentation requirements are feasible in all circumstances and are adequately addressed. Further, the Department has developed an Internal Audit function process whereby randomly chosen files will be reviewed on a periodic basis with a view to ensuring proper documentation for processing, disbursement and monitoring purposes. It is anticipated that a proposal seeking approval from the Board of the Business Investment Corporation to amend the Policy and Procedures Manual to accommodate the referenced Internal Audit function and any other required Manual changes, will be presented for the Board’s consideration by mid-2009.”
-

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken but that the recommendation is not fully implemented.

We agree with this response.



Highlights

Highlights of an update on a review of the Adult Custody Program in the Department of Justice covering the period 1 April 2005 to 31 March 2007.

Purpose of Our Review

In 2007, we performed a review of the Adult Custody Program under the Department to determine whether the Department's management practices and controls were adequate in the following areas of adult custody services:

- planning and reporting;
- human resource management;
- purchasing and tendering;
- inventory and capital assets;
- information management and technology; and
- legislation.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.20

DEPARTMENT OF JUSTICE

Adult Custody Program

2007 Annual Report, Part 2.15

Recommendations

In February 2009, we contacted the Department of Justice (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should develop long-term goals and objectives relating to adult custody services.*
2. *The Department should develop operational plans relating to the provision of adult custody services.*
3. *The Department should require that centres report specific information as outlined in the policy.*
4. *The Department should develop the required contingency plans for all critical situations.*
5. *The Department should require that centres have an Emergency Planning Committee in place.*
6. *The Department should monitor and control callback, overtime and sick leave.*
7. *The Department should develop a procedures manual for RUS [Resource Utilization System] and distribute to all centres.*
8. *The Department should ensure centres report quarterly information on callback, overtime and sick leave.*
9. *The Department should conduct annual performance appraisals of all adult custody staff.*
10. *The Department should comply with the Public Tender Act and the Financial Administration Act.*
11. *The Department should address issues identified with the on-site food service contracts.*
12. *The Department should adhere to its policies in relation to food service contracts.*
13. *The Department should comply with their policy in determining staff meal rates.*
14. *The Department should consider using the computer inventory system for recording and tracking stores supplies.*
15. *The Department should consider adapting or replacing the existing computer system for tracking movable capital assets.*
16. *The Department should ensure monthly inventory reports on pepper spray are submitted by each centre as required.*
17. *The Department should develop a comprehensive preventative capital asset maintenance program and inspection schedule.*
18. *The Department should provide reports on capital asset maintenance costs or maintenance history.*
19. *The Department should conduct annual inventory counts and account for capital assets.*
20. *The Department should strengthen its IT and physical security controls over adult custody services' files.*
21. *The Department should comply with the Adult Corrections Act and the Prisons Act.*

Areas of Disagreement

None.

Overall Conclusion

While the Department has implemented four of the recommendations from our 2007 Report (numbers 8, 10, 13 and 16), most recommendations have not been fully implemented. We conclude that follow-up is required on recommendation numbers 1, 2, 3, 4, 5, 6, 7, 9, 11, 12, 14, 15, 17, 18, 19, 20, and 21.

Introduction In 2007, we performed a review of the Adult Custody Program under the Department of Justice (the Department). We conducted our audit to determine whether the Department's management practices and controls were adequate in the following areas of adult custody services:

- planning and reporting;
 - human resource management;
 - purchasing and tendering;
 - inventory and capital assets;
 - information management and technology; and
 - legislation.
-

What we found Our review of the Adult Custody Program identified a number of concerns as follows:

Planning and reporting

Our review indicated there were no long-term goals and objectives relating specifically to adult custody services; there were no operational plans relating to the provision of adult custody services; and centres were not reporting (e.g. overtime, sick leave, training and food services) quarterly to the Superintendent as required by policy. As well, some of the centres did not report semi-annually, and others which did report semi-annually did not include all of the required information; required contingency plans were not in place for all identified critical situations such as natural disaster, loss of utilities, noxious/toxic substance threats and suspicious letter/parcel; and none of the centres had an Emergency Planning Committee in place and, as a result, a statement of training requirements specific to each critical situation had not been developed.

Human resource management

As salary costs account for 82% of total expenditures, we would expect adequate controls over staffing, callback and overtime, and sick leave. Our review indicated that callback and overtime, and sick leave were not being adequately monitored and controlled and had increased in the last three years. For example callback and overtime increased by 158% in the last three years, from \$455,000 in 2004-05 to \$1.17 million in 2006-07 (HMP increased by 291% from \$153,000 to \$597,000). Sick leave increased by an estimated 33% in the last three years, from \$918,000 in 2004-05 to \$1.23 million in 2006-07 (HMP increased by 54% from \$553,000 to \$659,000). In addition, no procedures manual had been developed outlining the objectives, administration procedures and controls related to tracking leave and overtime, centres were not reporting quarterly information to the Superintendent and annual staff performance appraisals were not being performed.

Purchasing and tendering

Our review indicated that the Department did not comply with the *Public Tender Act* (six purchases totalling \$94,473 were not publicly tendered) and the *Financial Administration Act* (18 instances totalling \$87,000 where goods and services were ordered and received without the prior issuance of a purchase order). In addition, issues with the on-site food service contracts at four centres were identified, the on-site food service operator was not complying with the food services contracts and the centres were not complying with policies in relation to food service contracts e.g. providing written reports to the Superintendent on nutritional adequacy of meals and menu planning effectiveness.

Inventory and capital assets

Our review indicated that there was inadequate control over inventory and capital assets and not all cost information was provided to the Comptroller General as required by Government's financial management policy and procedures.

Information management and technology

The Department's IT practices were inadequate in that backups were not tested regularly for data integrity, network passwords were not changed on a regular basis and there was no documented disaster recovery plan. In addition, physical security over adult custody services' files was inadequate in that in some cases inmate records were kept in unlocked file cabinets.

Legislation

The Department was not in compliance with the *Adult Corrections Act* in that the Departmental Board of Corrections had never been established. In addition, the Department was not in compliance with the *Prisons Act* in that the Superintendent did not submit any reports to the Minister containing information pertaining to prisoners released.

Our follow-up In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should develop long-term goals and objectives relating to adult custody services.*
2. *The Department should develop operational plans relating to the provision of adult custody services.*
3. *The Department should require that centres report specific information as outlined in the policy.*
4. *The Department should develop the required contingency plans for all critical situations.*
5. *The Department should require that centres have an Emergency Planning Committee in place.*
6. *The Department should monitor and control callback, overtime and sick leave.*
7. *The Department should develop a procedures manual for RUS [Resource Utilization System] and distribute to all centres.*
8. *The Department should ensure centres report quarterly information on callback, overtime and sick leave.*
9. *The Department should conduct annual performance appraisals of all adult custody staff.*
10. *The Department should comply with the Public Tender Act and the Financial Administration Act.*

11. *The Department should address issues identified with the on-site food service contracts.*
12. *The Department should adhere to its policies in relation to food service contracts.*
13. *The Department should comply with their policy in determining staff meal rates.*
14. *The Department should consider using the computer inventory system for recording and tracking stores supplies.*
15. *The Department should consider adapting or replacing the existing computer system for tracking movable capital assets.*
16. *The Department should ensure monthly inventory reports on pepper spray are submitted by each centre as required.*
17. *The Department should develop a comprehensive preventative capital asset maintenance program and inspection schedule.*
18. *The Department should provide reports on capital asset maintenance costs or maintenance history.*
19. *The Department should conduct annual inventory counts and account for capital assets.*
20. *The Department should strengthen its IT and physical security controls over adult custody services' files.*
21. *The Department should comply with the Adult Corrections Act and the Prisons Act.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

While the Department of Justice has fully implemented some of the recommendations from our 2007 report, most have not been fully implemented and others have not yet been addressed at all.

The Department has made some progress but our recommendations related to the following areas have not yet been fully implemented (numbers 1, 2, 3, 4, 5, 6, 9, 11, 12, 14, 15, 17, 20, 21):

- long-term goals and objectives;
- operational plans;
- centres reporting specific information;
- contingency plans;
- Emergency Planning Committees;
- monitoring and controlling callback, overtime and sick leave;
- annual performance appraisals of staff;
- on-site foodservice contracts;
- adherence to policies related to food service contracts;
- recording and tracking stores supplies;
- tracking moveable capital assets;
- comprehensive preventative capital asset maintenance program and inspection schedule;
- IT and physical security controls over adult custody services' files; and
- compliance with the *Adult Corrections Act* and the *Prisons Act*.

The Department has not yet addressed our recommendations in the following areas (numbers 7, 18, 19):

- procedures manual for RUS;
- reports on capital asset maintenance costs or maintenance history; and
- annual inventory counts and accounting for capital assets.

We conclude that further follow-up is required on these recommendations.

Recommendation No. 1

The Department should develop long-term goals and objectives relating to adult custody services.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would develop long-term goals and objectives for Adult Custody and incorporate them into the Departmental plan.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have long-term goals and objectives been developed and incorporated in the departmental plan? If not, when it is expected to be completed?

Response:

“In responding to this recommendation, Strategic Plan 2008-11 clearly identifies “Adult Corrections Planning” as a component of Strategic Direction # 3: Public Trust and Confidence (page 29). Adult Corrections Planning is committed to be addressed in the Department’s Operational Plan. The Department of Justice Operational Plan 2008-11 clearly identifies Issue 7: Adult Corrections Planning. It contains goals and objectives for Adult Corrections to 2011. Much of this is based on the recent Corrections Report “A Review of the Prison System in Newfoundland and Labrador: Decades of Darkness – Moving towards the Light”. This Report has far reaching recommendations involving infrastructure, legislation, programming and staffing. Some of the recommendations were readily accepted for implementation while others require budget support and longer term planning. A team has been assigned to work on planning and implementation.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however the recommendation is not implemented.

We agree with this response.

Recommendation No. 2

The Department should develop operational plans relating to the provision of adult custody services.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would develop operational plans for Adult Custody and incorporate them into the Departmental plan.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have operational plans been developed and incorporated into the Departmental plan? If not, when it is expected to be completed?

Response:

“Provincial wide policy directives related to Adult Corrections were not consistently applicable to all institutions. Accordingly, there was a need to review and revise directives. Meetings have now been held with all institutional heads to address this issue and draft directives have been developed. This has resulted in more streamlined policy directives with flexibility and adaptability for individual facilities to develop their own operational plans. Timelines for this initiative will be better determined once final approval for the draft policy directives has been given.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response

Recommendation No. 3

The Department should require that centres report specific information as outlined in the policy.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would review the policy with respect to the frequency of quarterly reports from the various centers - to either change or incorporate bi-annual reporting into policy.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the policy been reviewed with respect to the frequency of quarterly reports from the various centers, to either change or incorporate bi-annual reporting into policy? If not, when will the review be completed?

Response:

“Officials have finished reviewing the frequency of reporting requirements and have recommended semi annual reports. Institutional Heads are currently reporting on a semi annual basis. The semi annual report format has been standardized to capture a consistent source of information for Adult Custody. This approach will be formalized in the new policy directives.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 4

The Department should develop the required contingency plans for all critical situations.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it was in the process of completing all institutional contingency plans.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have all institutional contingency plans been completed? If so, please provide copies of the new plans.

Response:

“As per the table below, Contingency Plans have been developed for critical situations in Bishop Falls Correctional Centre, Labrador Correctional Centre, Newfoundland and Labrador Correctional Centre for Women and the West Coast Correctional Centre. Outstanding plans for the Her Majesty's Penitentiary, St. John's Lockup, and Corner Brook Lockup are being developed.

**Adult Custody
Contingency Plans**

Plan	Centre						
	BFCC	CBLU	HMP	LCC	NLCCW	SJLU	WCCC
1 Inmate escape	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Riot control	Yes	Yes	Yes	Yes	Yes	No	Yes
3 Hostage incident	Yes	Yes	Yes	Yes	Yes	No	Yes
4 Adverse job action	Yes	No	Yes	Yes	Yes	No	Yes
5 Medical emergency	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6 Fire emergency	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7 Death of a person	Yes	Yes	Yes	Yes	Yes	Yes	Yes
8 Epidemics	Yes	Yes	Yes	Yes	Yes	No	Yes
9 Bomb threat	Yes	Yes	Yes	Yes	Yes	Yes	Yes
10 Natural disaster	Yes	Yes	No	Yes	Yes	No	Yes
11 Loss of utilities	Yes	Yes	No	Yes	Yes	No	Yes
12 Noxious/toxic substance threats	Yes	Yes	No	Yes	Yes	No	Yes
13 Suspicious letter/parcel	Yes	Yes	No	Yes	Yes	No	Yes

Source: Department of Justice

A statement of training requirements specific to each critical situation remains outstanding.

Contingency plans have been provided.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 5

The Department should require that centres have an Emergency Planning Committee in place.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report it was in the process of re-establishing Emergency Planning Committees.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have Emergency Planning Committees been re-established? If not, when are they expected to be re-established?

Response:

“Since the Department last reported the Emergency Planning Committees for the Bishop Falls Correctional Centre, the Newfoundland and Labrador Correctional Centre for Women, the West Coast Correctional Centre and Her Majesty’s Penitentiary met to develop contingency plans for outstanding potential critical situations.

In addition, the Acting Superintendant is in the process of giving direction for the Emergency Planning Committees in each of the provincial institutions to renew this work and for all committees to meet on a quarterly basis. These committees will be tasked with developing the training components in the contingency plans.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 6

The Department should monitor and control callback, overtime and sick leave.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that callback, overtime and sick leave costs were being monitored but the Department's ability to control such expenditures was challenged constantly. The Department does have a Leave Management Committee in each institution and all sick leave data is reported and consolidated. The Attendance Management protocol would be renewed and alternative strategies explored for reducing reliance on callback and overtime.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Attendance Management protocol been renewed and alternative strategies explored for reducing reliance on callback and overtime? If so, how has the Attendance Management protocol been changed? If not, when is it expected to be completed?

Response:

“While the Attendance Management protocol is still in place, it is recognized that the protocol does not meet the current needs of Adult Custody. The Department is working with the Manager of Integrated Disability Management to develop a more proactive policy focused on assisting employees to return to work. Furthermore, a spreadsheet has been provided to each of the institutional leave management staff across the province to keep track of callback and overtime. As a proactive approach, each Assistant Superintendent reviews this on a monthly basis. This information is being reported in the semi-annual reports that are sent to the Acting Superintendent and the Director.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 7

The Department should develop a procedures manual for RUS [Resource Utilization System] and distribute to all centres.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that a resource would be engaged to complete a procedures manual for RUS.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has a procedures manual been completed for RUS? If not, when is it expected to be completed?

Response:

“The Adult Custody Division was unable to identify a dedicated resource to complete the RUS procedures manual in fiscal year 2007-08. Every attempt will be made to address this concern in fiscal year 2009-10. While we acknowledge a procedures manual would maximize the efficiency in utilizing RUS, it should be noted that RUS continues to assist the Adult Corrections Division as a useful leave management and scheduling tool.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 8

The Department should ensure centres report quarterly information on callback, overtime and sick leave.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that effective immediately, the Department would incorporate this information in Semi-Annual Reports.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has information on callback, overtime and sick leave been incorporated in semi-annual reports? If not, when is it expected to be incorporated?

Response:

“Information on callback, overtime, and sick leave has been incorporated into the semi-annual reports for each provincial institution. A spreadsheet has been provided to each of the institutional leave management staff across the province to keep track of callback and overtime. As a proactive approach, each Assistant Superintendent reviews this on a monthly basis. This information is reported in the semi-annual reports that are sent to the Acting Superintendent and the Director.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 9

The Department should conduct annual performance appraisals of all adult custody staff.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that discussions with the Public Service Secretariat to develop performance appraisals would be initiated.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have performance appraisals been developed? If not, when are they expected to be developed?

Response:

“At present, the Division does not conduct any individual performance appraisals. However, in early 2005, the Adult Custody Division of the Department of Justice was a pilot site within government for the introduction of Work Planning, which is now referred to as Performance Management.

Work Planning began as a Pilot Project in 2005-06, in relation to government's HR Strategy: Creating Tomorrow's Public Service. The Work Plan details the key work goals and targets for the individual. The Plan identifies how the work of the Manager will contribute to the strategic and operational goals of the Department, as well as related priority issues.

Work plans provide a joint manager-employee mechanism to ensure alignment of an employee's work with the priorities of the unit and in accordance with the overall priorities of the Department and government.

Work Planning facilitates:

- alignment of daily work activities with departmental and corporate directions.
- ongoing communication and feedback to review achievements and impacts of competing priorities.
- identification of resource needs.
- strategic learning and development processes.

By mid 2007, 28 of the 31 managers in the Adult Custody Division (90%) had developed and filed work plans. These work plans were mainly operational in nature. Since 2007, the Work Planning process has been redeveloped by the Public Service Secretariat as the Performance Management Program. There are currently fourteen (14) Adult Custody managers waiting to complete the following training module.

The Performance Management: Planning for Results module will define Performance Management and review the linkage between individual performance and the achievement of organizational results. The module will also identify methods to engage others in effective performance management through the Planning for Results cycle, (required training for managers in the provincial government as part of the Resource Management Package).

It is a goal for the Department that all managers have a Performance Management Plan in place by March of 2010. While management may consult with and involve non-management employees in the development of divisional performance enhancement plans, throughout government, the requirement to complete performance enhancement plans has not been extended beyond management levels.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 10

The Department should comply with the Public Tender Act and the Financial Administration Act.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would comply with the *Public Tender Act* and the *Financial Administration Act*.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Department now comply with the *Public Tender Act* and the *Financial Administration Act*?

Response:

“Yes, the Department is now complying with the *Public Tender Act* and the *Financial Administration Act*.

Departmental purchases or services under \$2,500 – staff are required to obtain quotations from at least 3 legitimate dealers, suppliers, contractors by direct quotation; and they are recorded on our Record of Telephone Quote form. The lowest price in the circumstance or a fair and reasonable price is chosen and a Purchase Order is issued for the purchase of said items.

Departmental purchases or services over \$2,500 – A tender is required to be invited. Specifications are prepared, as per the *Public Tender Act* and Regulations through the Government Purchasing Agency. Once tendered purchase orders are issued, all expenses are charged against this purchase order. Divisional staff are in daily contact with staff of the Government Purchasing Agency on this matter to ensure compliance with regulations.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 11

The Department should address issues identified with the on-site food service contracts.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would comply with the requirements of the on-site tendered food contracts.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Department now comply with requirements of the on-site tendered food contracts?

Response:

“The Department is in the process of tendering all three on-site food contracts which includes Her Majesty's Penitentiary (including the St. John's Lockup), the West Coast Correctional Centre, and the Labrador Correctional Centre for the new fiscal year and the issues raised by the Auditor General will be addressed accordingly. Each individual tender will include both food costs and labour costs in the one tender call. Furthermore, once contracts are awarded, all required documentation, such as medical certificates for staff, insurance certificates, and proof of good standing with the Workplace Health and Safety Compensation Commission must be submitted by the successful bidder and be confirmed annually. Annual audit reports will be required from each on-site food provider. It should be noted that required documentation has been provided at the West Coast Correctional Centre under the current food-contract.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 12

The Department should adhere to its policies in relation to food service contracts.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would comply with the policies in the tendered food contracts.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Department now comply with its policies in the tendered food contracts?

Response:

“The Department is in the process of tendering three on-site food contracts at Her Majesty’s Penitentiary (including the St. John’s Lockup), the West Coast Correctional Centre, and the Labrador Correctional Centre for the new fiscal year. By doing so, the Department will ensure that it is compliant with the policy items identified by the Auditor General, specifically food services assessments not being completed and quarterly reports not being prepared. The current tender document which was recently provided to the Government Purchasing Agency and posted on its website will be amended to reflect these requirements.

For your information, the menus at Her Majesty's Penitentiary and the St. John's Lockup have been revised by a registered dietician, focusing on portion sizes and healthy food choices. There are now new menus for:

- Regular Meal Diet
- Vegetarian Diet
- Diabetic/Weight loss Diet
- Soft Foods Diet
- Low Cholesterol Diet

The menus listed above are presently in use at Her Majesty's Penitentiary and the St. John's Lockup (implemented as of March 1, 2009). The Division will be monitoring these for the next 4 to 6 months to see if there are any changes that will be needed. Once this is completed, these menus will be reviewed for use in the other centres across Newfoundland and Labrador. In the meantime, the menus at the West Coast Correctional Centre were also recently revised by a Nutritionist and have been successfully implemented at that institution.

As the off-site catering contracts expire, all policy deficiencies outlined by the Auditor General will be incorporated in the tender call.

With respect to staff meal rates being subsidized, the Department has implemented a process whereby posted staff meal rates are reflective of the average cost of meals. Hence, staff meals are no longer subsidized.

The Department acknowledges that the current policy regarding food services, for both on-site and off-site catering, requires revision to meet the current and future needs of inmates. Despite this commitment to ensure compliance, the Department will be amending these policies to ensure that they are consistent with the needs of the organization on a go-forward basis."

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 13

The Department should comply with their policy in determining staff meal rates.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it had already complied with relation to staff meal rates.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Department continue to comply with its policy in determining staff meal rates?

Response:

“The Department has now complied with the policy in determining staff meal rates. This is being revisited at the beginning of fiscal year 2009-10 and every year thereafter, to ensure that rates are in line with costing. This issue was resolved by posting meal rates at each institution based upon average meal cost for that institution.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 14

The Department should consider using the computer inventory system for recording and tracking stores supplies.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report it would consider the present computerized inventory system for recording supplies inventory.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department considered using the computer inventory system for recording and tracking stores supplies?

Response:

“The Department did consider the present computer inventory system and found it deficient for its needs and is currently in discussion with the Office of the Chief Information Officer to develop a system more appropriately designed to capture the requisite information.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 15

The Department should consider adapting or replacing the existing computer system for tracking movable capital assets.

**Entity's
response from
previous report**

No response provided.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department considered adapting or replacing the existing computer system for tracking movable capital assets?

Response:

“The Department did consider adapting the existing computer system for tracking movable capital assets and found it deficient for its needs and is currently in discussion with the Office of the Chief Information Officer to develop a system more appropriately designed to capture the requisite information.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 16

The Department should ensure monthly inventory reports on pepper spray are submitted by each centre as required.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would ensure inventory counts for pepper spray are completed monthly for each center.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Are monthly inventory reports on pepper spray submitted by each centre as required? If not, when are inventory counts expected to begin?

Response:

“The Department is ensuring inventory counts for Oleoresin Capsicum (OC) spray are completed monthly for each center and forwarded to an assigned Captain at Her Majesty’s Penitentiary.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 17

The Department should develop a comprehensive preventative capital asset maintenance program and inspection schedule.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would work with the Department of Transportation and Works in developing a capital asset maintenance program and inspection schedule.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has a capital asset maintenance program and inspection schedule been developed? If not, when is it expected to be developed?

Response:

“The Adult Custody Division was unable to accomplish the development of a comprehensive preventative capital asset maintenance program and inspection schedule. Every attempt will be made to address this in fiscal 2009-10.

However, it should be noted that, over the past few months, the Department of Justice has worked with the Department of Transportation and Works to have many life safety and maintenance issues throughout adult corrections addressed. The recent Adult Corrections Report “A Review of the Prison System in Newfoundland and Labrador – Decades of Darkness – Moving Towards the Light”, recommended improvements to a number of life safety and maintenance issues for the various facilities. The Adult Custody Division has compiled a list of work to be completed.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 18

The Department should provide reports on capital asset maintenance costs or maintenance history.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report that once a capital asset maintenance program is developed, and in place, the Department will provide reports.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department been providing reports on capital asset maintenance costs or maintenance history? If not, when are these reports expected to be available?

Response:

“The Department recognizes that reporting on capital asset maintenance costs and history is dependent on developing a comprehensive capital asset maintenance program and inspection schedule and creating an appropriate automated program to manage this system.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 19

The Department should conduct annual inventory counts and account for capital assets.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it was working with OCIO to develop and implement an inventory system to capture and report on all assets at year end.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following section.

Questions No. 1 and No. 2:

1. Are annual inventory counts being completed? If not, when are they expected to begin?
2. Has an inventory system been developed and implemented to capture and report all assets at year end? If not, when is it expected to be developed and implemented?

Response:

“The Department has indicated that the present computer inventory system is deficient and requires significant upgrade. Once that has been accomplished in partnership with the Office of the Chief Information Officer the Department will be in a position to conduct accurate and comprehensive annual inventory counts and account for capital assets.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that the recommendation is not implemented.

We agree with this response.

Recommendation No. 20

The Department should strengthen its IT and physical security controls over adult custody services' files.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that OCIO provided the following reply:

- The IS Branch has developed a Security Framework which will focus security and information protection priorities over the next number of years.
- There is currently a Disaster Recovery planning project underway within the OCIO to help prioritize areas where DR plans are required for critical systems within government. All applications and data pertinent to Adult Custody Division are either being housed in locations external to the sites that use them, being backed up external to those locations, and in many cases, both situations apply. Until a formal DR Plan is implemented, the OCIO is confident that emergency computers and access to required applications can be recovered in a timely manner at any other location within the Government of Newfoundland and Labrador.
- The OCIO has just recently formed an 'Enterprise Storage and Recovery' section of Infrastructure Services consisting of four (4) staff dedicated to back-ups. In addition, the OCIO has invested in a sweeping overhaul of its back-up and recovery infrastructure, along with enterprise-grade monitoring and management tools. These initiatives are intended to enhance and improve the reliability, validity and security of Government's back-up environment, and will address the need for regularly scheduled tests for data integrity.
- Charts of Authorities for PCOMS have been approved and meetings have been scheduled for sign off on Charts of Authorities for RUS.
- As part of the Infrastructure Renewal project, which is deploying Active Directory (AD) to all GNL employees, the OCIO will be able to more effectively manage and secure GNL computers. In addition, the policies of the AD environment require users to change their passwords at least once every 30 days. The Adult Corrections Division of the Department of Justice is scheduled to be migrated to this new environment by June, 2008.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following section.

Question No. 1:

Has a Disaster Recovery Plan been put in place for Adult Custody applications and data? If not, when is a Disaster Recovery Plan expected to be put in place?

Response:

“A formal DR plan is not yet documented for PCOMS or RUS but the OCIO wide project for Disaster Recovery is an ongoing priority and DR plans are currently being developed for 20 of government’s most critical applications. Depending on the completion time for the top 20 plans, other applications will then be prioritized and DR plans will be scheduled to be completed.

While no formal DR plan is in place the OCIO has several documents which could be used to help recover in the event of a disaster. These include application installation instructions and network diagrams. These will form part of a formal DR plan.”

Question No. 2:

Have Charts of Authorities for PCOMS and RUS been signed off? If not, when are they expected to be signed off?

Response:

“A Chart of Authorities has been signed for each application and is stored in TRIM.”

Question No. 3:

Has the Active Directory been put in place for the Adult Correction Division? If not, when is it expected to be put in place?

Response:

“The Active directory is now in place for the Adult Correction Division.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 21

The Department should comply with the Adult Corrections Act and the Prisons Act.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that a comprehensive review was being conducted with the objective of repealing the *Adult Corrections Act* and the *Prisons Act* to consolidate the law governing Corrections into one statute and drafting legislation which is more contemporary and progressive.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the comprehensive review of the legislation been completed? If not, when is it expected to be completed?

Response:

“A review of the legislation has begun. The recent Adult Corrections Report “A Review of the Prison System in Newfoundland and Labrador – Decades of Darkness – Moving Towards the Light”, has recommended that the *Prisons Act* and the *Prison Regulations* be thoroughly revised and approved by the Government of Newfoundland and Labrador. The Department of Justice has accepted this recommendation and work is currently underway in relation to both Acts referenced above. We would note that the Acting Superintendant is now complying with the *Prisons Act* by submitting monthly reports to the Minister relating to each prisoner released during the preceding month.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.



Highlights

Highlights of an update on the review of Community Corrections and its role in the delivery of community-based sentencing alternatives from 1 April 2003 to 31 December 2005.

Purpose of Our Review

In 2006, we performed a review of Community Corrections and its role in the delivery of community-based sentencing alternatives to determine:

- compliance with the policies and procedures to manage community correctional services;
- the adequacy of information systems to manage community correctional services;
- compliance with contractual arrangements for providing community-based programming; and
- compliance with relevant legislation.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adgmail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.21

DEPARTMENT OF JUSTICE

Community Corrections

2006 Annual Report, Part 2.11

Recommendations

In February 2009, we contacted Department of Justice (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Department of Justice should ensure compliance with its policies and procedures relating to case management including risk assessment and supervision of offenders.*
2. *The Department of Justice should, with regards to the computerized database, ensure timely and complete input of data; activate the report generating capabilities; and provide staff training.*
3. *The Department of Justice should, with regards to community-based programming contracts, comply with Government's Consultant Guidelines; and ensure that services paid for are received.*
4. *The Department of Justice should ensure compliance with its policies and procedures relating to the Assistance Adults Probation Officers Program.*

Areas of Disagreement

We disagree with the Department related to recommendation number 3 and feel that community-based programming contracts would fall under the requirements of the Consultant's Guidelines and would require a public proposal call. The Department indicated that, due to the ambiguity around this issue, the matter is now under review within the Department and a legal opinion has been requested.

Overall Conclusion

While the Department of Justice has made progress in addressing the recommendations from our 2006 report, the four recommendations have not been fully addressed. We conclude that follow-up is required on these recommendations.

Introduction In 2006, we performed a review of Community Corrections of the Department of Justice (the Department) and its role in the delivery of community-based sentencing alternatives. We conducted our review to determine:

- compliance with the policies and procedures to manage community correctional services;
 - the adequacy of information systems to manage community correctional services;
 - compliance with contractual arrangements for providing community-based programming; and
 - compliance with relevant legislation.
-

What we found As a result of our review, we identified issues with the Community Corrections Program in terms of:

Issues with case management

- Forms not available: The Acknowledgement of Court Order forms were not always completed as required by policy.
- Inadequate risk assessment: The Community Corrections Branch (the Branch) was not adequately performing risk assessments of offenders. We found issues with risk assessments including some which were not completed within the required timeframe, completed incorrectly or never completed.
- Inadequate case planning: We identified issues with case plans including plans that were not completed within the required timeframe or not completed at all, plans that did not adequately reflect the conditions in the order or target the relevant criminal factors, and plans that did not reflect the completion of a secondary risk assessment or a progress review.
- Offenders not adequately supervised: There were significant issues with the Branch's supervision of offenders including insufficient supervision and insufficient documentation to determine whether the offender was being supervised properly. In addition, there were instances where there was no documentation on file to support the elimination of supervision.

- Progress reviews: A progress review is required to be completed at the end of every 12 months for each offender under supervision for at least 12 months. The Branch was not always completing progress reviews in accordance with policy.

Information system not fully utilized

Information contained in the Provincial Correctional Offender Management System was not current. Reports produced in March 2006 indicated that a significant number of progress reviews, primary risk assessments and case plans were not completed. However, officials indicated that the System may not have been updated. Our review also found that not all report capabilities had been activated in the System, there had been no training provided to staff since 2002 and there was no training manual or user manual.

Non-compliance with policy

The Department is not complying with Government's policy on the hiring of consultants because no public proposal calls were made and authority was not requested from the Lieutenant-Governor in Council for three contracts - each in excess of \$100,000.

Payment for services not received

In terms of contractual arrangements, the Department paid for services that were never received. For example, the minimum number of contracted hours and/or sessions was not always delivered by the contractor.

Insufficient information from contractors

The Department did not receive sufficient information from contractors to assess program delivery. As a result, the Department could not evaluate contractor performance.

Other issues

We also identified issues with the lack of verification of monthly invoices and lack of information to determine whether the Assistant Adult Probation Officers Program was functioning as intended.

Our follow-up

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Department of Justice should ensure compliance with its policies and procedures relating to case management including risk assessment and supervision of offenders.*
2. *The Department of Justice should, with regards to the computerized database, ensure timely and complete input of data; activate the report generating capabilities; and provide staff training.*
3. *The Department of Justice should, with regards to community-based programming contracts, comply with Government's Consultant Guidelines; and ensure that services paid for are received.*
4. *The Department of Justice should ensure compliance with its policies and procedures relating to the Assistant Adult Probation Officers Program.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

While the Department of Justice has made progress in addressing the recommendations from our 2006 Report, the recommendations have not been fully implemented. Work is still in ongoing in the areas of:

- policies and procedures relating to case management including risk assessment;
- the computerized database; and
- community-based programming contracts.

The Department indicated that it did not fully agree with our original recommendation related to community-based programming contracts. The Department proceeded on the basis that these contracts were governed by the *Public Tender Act*. Accordingly, sole source exceptions under paragraph 3(e) were obtained and filed with the Government Purchasing Agency. We disagree with the Department's reasoning and feel that these contracts would fall under the requirements of the Consultant's Guidelines and would require a public proposal call. The Department indicated that, due to the ambiguity around this issue, the matter is now under review within the Department and a legal opinion has been requested.

In addition, the Department has not yet completed a review of the Assistant Adult Probation Officer (AAPO) Program. The Department indicated that the AAPO Program will be reviewed and related policy and procedures will be altered accordingly.

We conclude that follow-up is required on these recommendations.

Recommendation No. 1

The Department of Justice should ensure compliance with its policies and procedures relating to case management including risk assessment and supervision of offenders.

**Entity's
response from
previous
report**

The Department indicated in its response to the 2006 Report that even though significant strides continued to be achieved in the case management of offenders under community supervision, the Department did recognize that there had not been full compliance with policy standards. These issues would be addressed through enhanced monitoring of performance as well as the implementation of a new offender risk assessment instrument which will create a more formalized linkage between risk assessment and case planning.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has monitoring of performance been enhanced to fully comply with policy standards? If not, when is it expected to be put in place?

Response:

“Monitoring of performance is an ongoing objective. The implementation of the new risk assessment tool, Level of Service/Case Management Inventory (LS/CMI), and the phasing out of the Primary Risk Assessment (PRA) (previously utilized risk assessment tool) has resulted in a parallel process, thereby creating constraints in the monitoring of policy. A December 2007 directive outlines the use of both tools during the implementation/phasing out process. Consequently, statistics do not reflect a true picture of risk assessment completion. Each file has to be reviewed individually to ensure

that there is compliance with the directive. Statistics are expected to accurately reflect policy adherence by the Fall of 2010 when the PRA has been fully phased out.

A comprehensive file audit will be completed by the Chief Adult Probation Officer by September 2009.”

Question No. 2:

Has the new offender risk assessment instrument been implemented? If, not when is it expected to be implemented?

Response:

“A new risk assessment tool was implemented in the Fall of 2007. The Level of Service/Case Management Inventory is being utilized by the Adult Probation Officers (APO’s) in this Division. This has created a formalized linkage between risk assessment and case management. Adult Probation Officers, employed with the Division at the time of implementation received training in this particular tool. Motivational Interviewing Training is planned for the upcoming fiscal year. This will further enhance the APO’s ability to address the LS/CMI. In addition, work is underway to have several APO’s trained as trainers in the LS/CMI so that any APO’s who have not received the formalized training may be trained within the Province utilizing our own resources.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 2

The Department of Justice should, with regards to the computerized database, ensure timely and complete input of data; activate the report generating capabilities; and provide staff training.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that the Provincial Correctional Offender Management System (PCOMS) was developed initially as a case management system to meet the most immediate needs of the Department. Having accomplished that objective, standard and management report capabilities would be further developed in consultation with the Office of the Chief Information Officer.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Have standard and management report capabilities been further developed in consultation with the Office of the Chief Information Officer? If not, when are they expected to be developed?

Response:

“Standard and management report capabilities are being developed in consultation with the Office of the Chief Information Officer (OCIO).

In addition, the Department of Justice has initiated stakeholder (Community and Institutional Corrections) meetings to further identify and develop report capabilities.

The assurance of timely and complete input of data is monitored on an annual basis through the Community Corrections auditing process.

A Provincial Corrections Offender Management System (PCOMS) Committee has been initiated to address data integrity. This is expected to result in enhanced reporting capabilities. This is a prerequisite to formalized PCOMS training. Presently, new staff are coached in the use of the PCOMS by senior APO's. In addition, the LS/CMI is automated within the PCOMS. Training in the use of this tool is provided by senior APO's. In the interim, notifications of enhancements to PCOMS are completed electronically through the OCIO to PCOMS users.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 3

The Department of Justice should, with regards to community-based programming contracts, comply with Government's Consultant Guidelines; and ensure that services paid for are received.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that it had, through the Government Purchasing Agency, filed reports with the House of Assembly verifying that the John Howard Society and the Stella Burry Corporation are deemed to be sole source contractors. The Department would further comply with Government's Consultant Guidelines by seeking authority from the Lieutenant Governor-in-Council for these contracts. Additionally, a mechanism would be implemented to ensure that changes in service delivery are reflected in contract amendments and that payment is only made for services delivered.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has authority been obtained from the Lieutenant Governor-in-Council for the John Howard Society and the Stella Burry Corporation contracts? If not, when is it expected to be received?

Response:

“In fiscal year 2008-09 the Department proceeded on the basis that these contracts were governed by the *Public Tender Act* and accordingly sole source exceptions under paragraph 3(e) were obtained and filed with the Government Purchasing Agency. Consequently, the requirement for Lieutenant Governor-in-Council approval under the Consultant’s Guidelines would not have been applicable. Due to the ambiguity around this issue, the matter is now under review within the Department and a legal opinion has been requested.”

We disagree with the Department’s reasoning in that the Department proceeded on the basis that the community-based programming contracts were governed by the *Public Tender Act*. Accordingly, sole source exceptions under paragraph 3(e) were obtained and filed with the Government Purchasing Agency. We feel that the contracts would fall under the requirements of the Consultant’s Guidelines and would require a public proposal call. The Department indicated that, due to the ambiguity around this issue, the matter is now under review within the Department and a legal opinion has been requested.

Question No. 2:

Has a mechanism been implemented to ensure that changes in service delivery are reflected in contracts amendments and that payment is only made for services delivered? If not, when is it expected to be implemented?

Response:

“An addition to the John Howard - Learning Resources Program contract identified the unique nature of the broad scope of services provided for Corrections’ clients. For example, Corrections could, in one given year, have client numbers that would warrant 5 OASIS programs. While in another given year, it may only have enough offenders with this need area to offer 3 OASIS programs. As a result, the new addition to the contract allows flexibility to offer a range of programming options that are directly related to the current offender needs profile. Offender profiles and referrals will determine the frequency of group programs. Please compare clause 3 in the 2008-09 contract with clause 3 in the 2005-06 contract. Unlike the prescriptive wording in the 2005-06 contract, the 2008-09 contract states that “offender profiles and referrals will determine the frequency of group programs” allowing for flexibility.

We note that the Department recently filled the position of Manager of Standards and Compliance for Corrections. This position will be directed to develop a formal process to assess contractor compliance.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they do not agree with original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We disagree with the Department’s reasoning in that the Department proceeded on the basis that the community-based programming contracts were governed by the *Public Tender Act*. Accordingly, sole source exceptions under paragraph 3(e) were obtained and filed with the Government Purchasing Agency. We feel that the contracts would fall under the requirements of the Consultant’s Guidelines and would require a public proposal call. The Department indicated that, due to the ambiguity around this issue, the matter is now under review within the Department and a legal opinion has been requested.

Recommendation No. 4

The Department of Justice should ensure compliance with its policies and procedures relating to the Assistant Adult Probation Officers Program.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2006 Report that it agreed with this recommendation and would undertake a review of its policies and procedures relevant to the Assistant Probation Officer Program.

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has a review of the policies and procedures relevant to the Assistant Probation Officer Program taken place? If not, when is it expected to take place?

Response:

“No, a review has not been completed. On a go forward basis the Assistant Adult Probation Officer (AAPO) Program will be reviewed and related policy and procedures will be altered accordingly. A comprehensive review of the AAPO program will examine the effectiveness of how Newfoundland Labrador Community Corrections addresses Probation supervision in remote/rural locations.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.



Highlights

Highlights of an update on the review of the Royal Newfoundland Constabulary completed in 2006.

Purpose of Our Review

In 2006, we performed a review of the Royal Newfoundland Constabulary (RNC). We conducted our audit to determine whether:

- the RNC has adequate systems in place to record, monitor and secure its firearms inventory. This included determining, as recommended by the Select Committee, whether sidearms are stored in a secure locker at the station when members are not on duty;
- the Firearms Policy covered all relevant issues pertaining to the use and control of firearms; and
- the RNC has adequate procedures to monitor members' compliance with the Firearms Policy and where appropriate, test compliance with this Policy.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.

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To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.22

ROYAL NEWFOUNDLAND CONSTABULARY

2006 Annual Report, Part 2.12

Recommendations

In February 2009, we contacted the Royal Newfoundland Constabulary (RNC) requesting an update as to any further progress made on the following recommendation that was included in our 2006 Report:

1. *The Royal Newfoundland Constabulary should comply with established policy.*

Areas of Disagreement

None.

Overall Conclusion

Since our review in 2006, the RNC has taken action to address all findings and the recommendation. The RNC has upgraded its firearms inventory system and filled positions to allow for proper inventory management, inspections, training and internal audit. We conclude that no follow-up is required on this recommendation.

Introduction In 2006, we performed a review of the Royal Newfoundland Constabulary (RNC). We conducted our review to determine whether:

- the RNC has adequate systems in place to record, monitor and secure its firearms inventory. This included determining, as recommended by the Select Committee, whether sidearms are stored in a secure locker at the station when members are not on duty;
- the Firearms Policy covered all relevant issues pertaining to the use and control of firearms; and
- the RNC has adequate procedures to monitor members' compliance with the Firearms Policy and where appropriate, test compliance with this Policy.

What we found As a result of our review, we reached the following overall conclusions:

Although the RNC has adequate systems in place to record, monitor and secure its firearms, each year we identify instances of non-compliance with policy. Given the serious repercussions that could result from the use of firearms, it is critical that the RNC continue efforts to improve compliance with established policies and procedures.

Firearms and ammunition inventory not accurate

The firearms and ammunition inventory system is not accurate because not all required adjustments, including additions, dispositions or internal re assignments of firearms and ammunition, are made on a timely basis. For example, in 2006 we found that 38 handguns and 3 rifles were not recorded in the inventory system and for 5 types of ammunition, the physical count did not agree to what was recorded in the inventory system. In the case of 40 calibre training ammunition, 9,012 rounds could not be accounted for.

Firearms Policy infractions not being properly followed-up

Members are not always complying with the Firearms Policy. Information identified during our review and from inspections performed by the RNC indicated a total of 221 infractions for the period November 2004 to November 2006. Furthermore, we found that not all infractions are being referred to the RNC's Professional Standards Section for investigation as required.

Monthly inspections of firearms storage lockers not performed

The required monthly inspections of firearms storage lockers were not always performed.

Personnel and equipment inspections not properly reported

RNC policy requires that all personnel and equipment be inspected a minimum of twice per year by the Inspections Officer or Non-Commissioned Officers and that a report on the results of these inspections be provided to the Chief of Police. The Inspections Officer indicated that only one inspection was done for the St. John's area and Corner Brook in 2006, the results of which were reported to the Chief of Police in December 2006.

Training not being completed as required and database not accurate

The RNC is not complying with its policy for use of force training. For example, a total of 173 members as of 31 December 2005 and 121 members as of 8 November 2006 had not re-qualified in the use of firearms in the required one year time frame. In addition, the training database is neither complete nor accurate.

Use of Force Review Board not active

Although the Use of Force Review Board is required to review all instances of use of force, the Board had not met from October 2002 until September 2006. Between October 2004 and September 2006, there were 1,277 use of force incidents reported, 141 which related to firearms.

No Select Committee in place to review arming policy

In 1998, a Select Committee of the House of Assembly recommended that the arming policy be reviewed at the end of five years, i.e. March 2003. As at December 2006, no Select Committee had been established to review the arming policy of the RNC.

Our follow-up In February 2009, we contacted the RNC requesting an update as to any further progress made on the following recommendation that was included in our 2006 Report:

1. *The Royal Newfoundland Constabulary should comply with established policy.*

The update provided by the RNC in response to our request is contained in this Report.

Overall conclusion Since our review in 2006, the RNC has taken action to address all findings and the recommendation. The RNC has upgraded its firearms inventory system and filled positions to allow for proper inventory management, inspections, training and internal audit.

We conclude that no follow-up is required on this recommendation.

Recommendation No. 1

The Royal Newfoundland Constabulary should comply with established policy.

Entity's response from previous report The RNC indicated in its response to the 2006 Report that it was committed to acting on all issues and concerns referenced in the Report.

Entity's response to specific questions The RNC was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Has a select committee of the House of Assembly been established to review the RNC arming policy after the first five years? If not, has the RNC executive received any indication that this will take place?

Response:

“This issue of a Select Committee of the House of Assembly is not a relevant matter that is in the control of the RNC. As previously identified in correspondence to the Office of the Auditor General on 11 January 2007, the RNC does not hold the intention to revisit this matter. The RNC recognizes that in 1998 a Select Committee of the House of Assembly recommended that the arming policy be reviewed at the end of 5 years which was dated March 2003. Nevertheless, the appointment of this Select Committee is not within the control of the RNC and the RNC executive has not received any indication that this will take place.”

Question No. 2:

Has there been any other communication concerning the requirement for an annual audit? Has an annual audit been carried out for 2007 or 2008?

Response:

“During November 2007, it was proposed that a new RNC civilian management position entitled, Operational Audit and Compliance Manager (“Audit Manager”), should be responsible for completing the annual firearms audit. Effective 14 October 2008, a conclusion was reached whereby the Minister of Justice and the Department agreed that this was an acceptable approach and accordingly, reported this to the Office of the Auditor General.

While this new position was originally filled in October 2007, the individual occupying this role did so only for a short period of time. Thereby, it was actually 1 December 2008 when this position was filled again for the long-term. As a result, the annual firearms audit is now the responsibility of a Chartered Accountant who is currently holding the above noted position. While this has significantly impacted the progress of some previously reported responses, there have been some fundamental improvements.

When this position was originally filled, the individual commenced the firearms audit for 2007. While this was ongoing, it was not completed prior to the position becoming vacant again and it has not been continued by the new manager. Instead, it was determined that it was primarily necessary to act upon the findings previously reported by the Auditor General at it related to the RNC’s armory system and armory controls. As a result, the Operational Audit and Compliance Manager is actively monitoring the reconciliation of the armories held by the RNC. This has included consultations with the Audit Manager to identify a controlled process for managing the armories, as well as recommendations to direct an accurate and controlled approach to complete the armory reconciliation.

The current status of the reconciliation between the RNC armory system and the physical armory inventories held is that it is nearing completion; there are currently only a few areas of the armory inventories to be reconciled. Any areas of discrepancy have been or are in process of being investigated to obtain further evidence of the proper treatment for any such items. It is anticipated that by the end of the March 2009, the armories held by the RNC will be fully reconciled and there will be a controlled, documented and communicated procedure to ensure that armory inventories are properly managed, secured and maintained in the armory system in the future. This will also include the armories held by each member of the Force.

Based on this, there are no completed audit reports for 2007 or 2008. It is anticipated that by the second quarter of the 2009-2010 fiscal year, a completed audit report will be available.”

Question No. 3:

Has the data systems error in the firearm and ammunition inventory been corrected and have the systems in place in Corner Brook and Labrador been updated to be compatible with St. John’s? If not, what is the status of the system error and the systems upgrades?

Response:

“During the last quarter of the 2008-2009 fiscal year, the implementation of the RNC armory system into the Labrador and Corner Brook detachments was successfully completed. Prior to doing this, a comprehensive reconciliation of all inventories held in stock, and held by each member, at each location was completed so that these could be properly accounted for and reflected in the armory system. This reconciliation, in conjunction with a controls-based process to ensure future documentation, control, and maintenance of the armory inventories, effectively permits the Corner Brook and Labrador detachments to accurately maintain its armory inventories, including ammunition, in the same system as St. John’s.

In accordance with transitioning the RNC web-based armory inventory system to all areas throughout the Force, significant changes were also required to the computer armory system to allow for operational and controlled efficiencies. Particularly, the armory system now properly reflects all locations of the RNC, as well as enforces general access and application controls for each armory location.

Each armory stock room has a designated armory room officer who must comply with the developed procedure which includes both prevent and detect controls, as well as increased physical controls for the armory rooms which are located at Headquarters for the North East Avalon, Corner Brook and Labrador City. These controls include evidence from both the armory room officer, as well as the person receiving the inventory items, which will effectively eliminate any discrepancies between armories provided and received (serial ID and quantity). Data entry detect controls are also required and a quarterly reporting process has been established to ensure that a quarterly physical count is completed and reconciled with the armory inventory system.

There were also IT improvements completed to permit general access and application controls for the RNC armory system. The access controls require user ID and password entry for all users of the system and developed application controls ensure that only the designated individuals per location have access to alter the data in the respective area. That is, the armory room officers, or the Inventory-Communications Coordinator for the respective North East Avalon, are the only individuals that have data write access for the respective location. Further system improvements completed include improved reporting functionalities so that the output reports from the system provide more meaningful information, including the location of an item if it is signed out or in repairs. Overall, these enhancements will provide a level of accountability and a sense of ownership for each armory room officer to ensure armories are tracked and maintained accurately throughout the Force. The system improvements provide a useful, relevant and reliable system for tracking these armories.”

Question No. 4:

Has the “transition training” related to the change from the Ruger 357 to the Sig Sauer 40 caliber been completed? If not, why not? If the transition training is complete, has the normal schedule for the Use of Force Training being resumed? If not, what is the current status of the training? Please provide a status report as of 31 December 2008.

Response:

“The RNC is nearing the completion of its transition training from the Ruger 357 to the Sig Sauer 40 caliber firearm; 99.23 percent of the Force is currently transitioned to the new firearm. Only three members remain and they are not frontline operating officers; the concentration of the transitional training was primarily for first responders so that the responding officers are best equipped to ensure public safety. Nevertheless, it is anticipated that the required remaining members will complete this transitional training during March 2009.

The delay in transitioning the last three members is due to various reasons. However, most predominantly, the RNC has enhanced its firearms training and thereby, experienced further time requirements in transitioning its members. The RNC recently adapted a new course of fire in its firearm training program; in maintaining the focus of the transitional training, this course of fire is designed for semi-automatic firearms, includes gun manipulation and provides intensified training with real-life scenarios.

Further, commencing in August 2008, all first responding officers on the North East Avalon who had to complete the firearms training also completed the Rapid Entry Active Criminal Threat (“REACT”) course. The deployment of the REACT program to these members permit first responders to have increased exposure to firearms and further prepares the officers to protect the public, as required, when active criminal threats are encountered. Due to introducing the REACT program, when an officer completed the firearms training course, the time commitment increased from a previously scheduled four hours to a four-day course. This clearly put further time demands on the Use of Force and Firearms Instructors and thereby, prolonged the transitional training in some capacity. Similarly, for the past two years, the RNC has dedicated much time and effort to training the cadets enrolled in the Police Studies Program with its Use of Force and Firearms training programs. These further time commitments, along with training requests from other provincial government agencies including conservation officers and members of the Inland Fishery Enforcement Programs, have ultimately impacted the schedule for transitional training and the normal training schedule, as noted below.

While the transitional training is not 100 percent complete, the RNC has however continued with its otherwise normal schedule for the Use of Force training. Nevertheless, this training schedule is also not 100 percent complete for various reasons including those noted above, the fact that the RNC has had limited Use of Force Instructors in the past, and the introduction of the REACT program, coupled with the backlog of transitional training taking place.

As at 31 December 2008, about 57 percent of the Force, who were eligible for training, had completed module one, which is the firearms re-qualification course. Nevertheless, as at the current date, this percentage has increased to about 69 percent of eligible members, which excludes those on medical or other long-term leave. Similarly, as at 31 December 2008, about 38 percent of eligible Force members had completed module three, which concentrates on tactical room entries and weapon retention. As mentioned previously, the REACT program also concentrates on room entries. Thereby, including those who have completed the REACT program, about 55 percent of the Force has been trained in room entries as at the current date.

To remedy this issue, the RNC has recently trained seven members for Firearms Instructors, which has been one member in the past, and in the near future, ten additional Use of Force Instructors will be trained to help ensure that the training schedule is completed thoroughly each year. In addition, members of the Inland Fishery Enforcement Program have also recently been trained as instructors and thereby, this too, should alleviate the time constraint on the RNC current training instructors and thereby, further ensure that all members are trained accordingly each year.”

Question No. 5:

Were the positions of “Inventory Coordinator” and “Police Audit and Compliance Manager” approved in either the 2007-08 or the 2008-09 budget? If yes, when did they get approved and have they been filled and when? How have these positions impacted on the control over the accuracy of the inventories, the follow-up on firearm policy infractions, monthly inspections of firearm storage lockers and personnel and equipment inspections? Please provide copies of any reports including inspection and internal audit reports for 2008 related to firearms inventory, inspection of firearms storage lockers and personnel and equipment inspections.

Response:

“During the 2007-08 budget process, both of the above noted positions were approved. The Inventory Coordinator position was filled during October 2007 and as previously indicated, the management position was originally filled during October 2007 for a period of about six weeks, followed by interim filler for a short period of time, and finally, it was filled on 1 December 2008 by a Chartered Accountant.

Without doubt, these positions have drastically impacted the control and accuracy of the armory inventories. Upon filling the Inventory Coordinator position, this individual has been diligently working with the armory room officer for the North East Avalon to update the previously back-logged data entry and to continue with constant, routine data entry so that there are no further data entry backlogs experienced. This, thereby, has resulted in more relevant and reliable data in the armory system.

Further, the recent filling of the Audit Manager's position has resulted in a new focus for the RNCs assurance function. While immediate attention has been given to improving the armory inventory process, the Audit Manager's activities will, and in some cases are already, enforce an overall tone of policy compliance and accountability throughout the Force. To date, the improvements made to the armory process and the concentration of the armory reconciliation have already significantly impacted the accuracy of the inventories, as highlighted previously in this response.

Without doubt, the development of this position within the Force has tremendously improved the process for ensuring that quarterly firearm locker inspections are completed and that deviations from policy are addressed appropriately and timely. This position also imposes a strong message that the proper dress and department policies must be adhered to at all time by Force members.

Unfortunately, due to turnaround and subsequent late filling of the Audit Management position, there are no internal audit reports to provide relating to the firearms or inspections completed. While this position was vacant for most of 2007 and 2008, the Inspections Officer position did provide the necessary enforcement of the firearms and dress department policies throughout the Force in late 2008 and early 2009. The overall findings of these tasks were addressed with the office of the Chief of Police. However, it is important to note that during the past two years, there were only five cases of non-compliance with the firearms policy that were required to be investigated and remedial action was taken as necessary, with no instances of long-term discipline. Another important fact to note is that since the previous audit completed by the Office of the Auditor General, there again have been no complaints received by the Royal Newfoundland Constabulary Public Complaints Commission regarding the use of police firearms and there were also no court actions resulting from the use of a police weapon.”

Question No. 6:

Has the RNC completed its policy review related to Personnel and Equipment inspections and the Use of Force Board? What were the results of the review? Is the Use of Force Board still active and has it resumed its responsibility to review all Use of Force Reports? If not, why not?

Response:

“The Use of Force Board (the Board) for the RNC is an active committee. Minutes of meetings are maintained for Use of Force Board meeting, which have been held about every four months for the previous two years, and which will continue to be held as required or at the call of the Chief of Police or his designate. At each meeting, any relevant use of force concerns, including policy, are discussed with a plan of action for resolution, if the issue cannot be resolved during the meeting. Routinely, the Board evaluates and makes recommendations, when necessary, concerning RNC policy and training.

The Use of Force Board is actively reviewing the above policies: the Use of Force policy is undergoing the final stages of review so that the revised policy can be issued to the Force by the end of the 2008-2009 fiscal year. The Dress and Department policy is currently undergoing preliminary review, with an expected final issuance of the revised policy during late 2009. In addition, the Use of Force Board has previously reviewed the firearms policy; the revised policy was issued to the Force in January 2007 which now indicates that inspections of firearms and firearm storage will be conducted quarterly rather than monthly. Besides these noted policies, the Use of Force Board has recently reviewed the revised RNC Training Manual and has put forth a recommendation to the Chief of Police for acceptance.

In relation to the Use of Force Reports, these are being reviewed in accordance with the Use of Force policy. Each time use of force is used, a form is completed by the individual member. These forms are submitted to the File Management Unit as well as the member’s supervisor and then onto the Platoon and Divisional Commanders, as applicable. Monthly, a report is generated from four operating divisions (Patrol, CID, Corner Brook & Labrador and Operational Support) and sent to the Deputy Chief for review, as well as the individual Use of Force Board members. Each member reviews each of the Use of Force forms and if there are any incidents of concern, the Board member will bring forth the issue at the next meeting. Upon identification of such a concern, the Board may recommend the noted individual to have additional training. Based on this, it is evident that the Use of Force Board is currently reviewing the Use of Force forms and monthly reports.”

**Our
conclusion**

Follow-up Not Required

We agree that the RNC's actions have addressed our recommendation.



Highlights

Highlights of an update on the review of employment support programs in the Department of Municipal Affairs for the fiscal years 2005-06 and 2006-07.

Purpose of Our Review

In 2006 and 2007, we performed a review of the Employment Support Programs found within the Department of Municipal Affairs (the Department) to determine

- how the Community Enhancement Program (CEP) and other employment support programs were funded;
- whether the Department adequately and consistently evaluated project applications; and
- whether the Department monitored the effectiveness of the CEP and other employment support programs.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.23

DEPARTMENT OF MUNICIPAL AFFAIRS

Employment Support Programs

2007 Annual Report, Part 2.16

Recommendations

In February 2009, we contacted the Department of Municipal Affairs (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should ensure that the basis for funding allocations to electoral districts, including budget details and correspondence with the MHAs regarding funding for their district, is documented by the Department for all programs.*
2. *The Department should ensure decisions relating to the approval and rationale for funding of projects are formally documented.*
3. *The Department should ensure the process of approving applications before the deadline has been reached is reviewed to ensure that all projects have an equal opportunity for approval selection process.*
4. *The Department should ensure all additional funding requests are made by separate application.*
5. *The Department should ensure that amended applications are provided where required.*
6. *The Department should ensure funding approved for sponsor groups does not exceed funding requested for the project.*
7. *The Department should ensure the receipt date of program related information from sponsor groups is documented and the date is within program deadlines.*
8. *The Department should ensure all applications for funding have sufficient support in the file regarding eligibility of sponsor group, individuals and project.*
9. *The Department should ensure decisions relating to the approval and rationale for funding to sponsor groups who were non-compliant in prior programs are formally documented.*
10. *The Department should ensure guidelines for all programs offered are implemented and contradictory or inadequate guidelines are restated.*
11. *The Department should ensure sufficient documentation is submitted by project sponsors, and that missing information is followed up on as part of the review process.*
12. *The Department should ensure final report reconciliations for all project files, including an indication as to who performed the final report review and when are formally documented.*
13. *The Department should ensure decisions relating to the rationale for partial final funding releases to sponsor groups before final reports are received and reviewed are formally documented.*
14. *The Department should ensure decisions relating to the rationale for final funding releases to non-compliant project sponsors are formally documented.*

Areas of Disagreement

None.

Overall Conclusion

While the Department of Municipal Affairs has made progress in addressing most of the recommendations from our 2007 Report, recommendation number 1 has not been fully addressed. The Department, with the assistance of the Newfoundland and Labrador Statistics Agency, has been working on the development of an evidence-based formula for allocating funding to the electoral districts. We conclude that follow-up is required on this recommendation.

Introduction In 2006 and 2007, we performed a review of the Employment Support Programs found within the Department of Municipal Affairs (the Department). We conducted our review to determine how the Community Enhancement Program (CEP) and other employment support programs were funded; whether the Department adequately and consistently evaluated project applications; and whether the Department monitored the effectiveness of the CEP and other employment support programs.

What we found As a result of our review, we reached the following overall conclusions:

Community Enhancement Program

Overall, the Department did not adequately administer the CEP. Significant concerns were noted with regard to how funding was allocated to electoral districts in the Province, how projects were selected and how projects were monitored. In particular:

District funding allocation

While Department officials indicated that funding allocations were made by electoral district, this allocation process was never documented. As a result, the Department could not demonstrate the basis for allocating the extent of funding by district. Furthermore, there was not always documentation in project files to demonstrate that MHAs were advised as to the level of funding approved under the CEP for their district. In addition, due to the allocation being by electoral district, the merit of a project was not evaluated on a Province-wide basis.

Project and applicant selection

Our review of the project and applicant selection criteria indicated that the Department could not demonstrate: whether the criteria of “relatively short-term” and “small scale” were met; that the funded projects were approved based on recommendations from MHAs; the basis on which additional funding was approved; whether all applications were received before the deadline date; that all approved applicants met the eligibility criteria for the CEP; justification for continuing to provide project funding to sponsor groups who showed non-compliance in prior years; and justification for not approving the funding or official notification to the sponsor group that the funding request was not approved.

Project monitoring

We found that the Department issued contradictory guidelines for 2005-06, did not always follow-up on non-compliance by sponsor groups, did not adequately review the final reports submitted by sponsor groups, released final funding for projects even when required information was not provided or there were documented instances of non-compliance, and released portions of the final payment either before projects were completed or before final reports were received and reviewed.

Other employment support programs

We also identified similar issues with the following employment programs:

- Crab Workers' Support Program
- Fish Plant Workers' Employment Support Program
- Harbour Breton FPI Workers' Employment Support Program
- Community Enhancement Program - Fish
- Fortune Support Program

Our follow-up

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should ensure that the basis for funding allocations to electoral districts, including budget details and correspondence with the MHAs regarding funding for their district, is documented by the Department for all programs.*
2. *The Department should ensure decisions relating to the approval and rationale for funding of projects are formally documented.*
3. *The Department should ensure the process of approving applications before the deadline has been reached is reviewed to ensure that all projects have an equal opportunity for approval selection process.*
4. *The Department should ensure all additional funding requests are made by separate application.*

5. *The Department should ensure that amended applications are provided where required.*
6. *The Department should ensure funding approved for sponsor groups does not exceed funding requested for the project.*
7. *The Department should ensure the receipt date of program related information from sponsor groups is documented and the date is within program deadlines.*
8. *The Department should ensure all applications for funding have sufficient support in the file regarding eligibility of sponsor group, individuals and project.*
9. *The Department should ensure decisions relating to the approval and rationale for funding to sponsor groups who were non-compliant in prior programs are formally documented.*
10. *The Department should ensure guidelines for all programs offered are implemented and contradictory or inadequate guidelines are restated.*
11. *The Department should ensure sufficient documentation is submitted by project sponsors, and that missing information is followed up on as part of the review process.*
12. *The Department should ensure final report reconciliations for all project files, including an indication as to who performed the final report review and when are formally documented.*
13. *The Department should ensure decisions relating to the rationale for partial final funding releases to sponsor groups before final reports are received and reviewed are formally documented.*
14. *The Department should ensure decisions relating to the rationale for final funding releases to non-compliant project sponsors are formally documented.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

While the Department of Municipal Affairs has made progress in addressing most of the recommendations from our 2007 Report, recommendation number 1 has not been fully addressed. The Department, with the assistance of the Newfoundland and Labrador Statistics Agency, has been working on the development of an evidence-based formula for allocating funding to the electoral districts.

We conclude that follow-up is required on this recommendation.

Recommendation No. 1

The Department should ensure that the basis for funding allocations to electoral districts, including budget details and correspondence with the MHAs regarding funding for their district, is documented by the Department for all programs.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they:

- would continue to allocate funding by electoral district based on prior year allocations, and that this is clearly articulated to each MHA in a letter from the Minister;
- would develop an evidence-based allocation model that includes a number of employment and income indicators; and
- would test a pilot allocation model during the 2008-09 program delivery year.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Has an evidence-based allocation model been developed? If not, do you still intend to develop such a model? When?

Response:

“...work on the model is progressing and will conclude over the next several months.”

Question No. 2:

Has the pilot allocations model been tested?

Response:

“Yes. The Department has pilot tested a variety of different combinations of indicators in the model.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation has not been implemented.

We agree with this response.

Recommendation No. 2

The Department should ensure decisions relating to the approval and rationale for funding of projects are formally documented.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that an interdepartmental committee reviewed and ranked all projects within each electoral district based on established priorities now entrenched in the program guidelines. Completed ranking sheets, while not found on all project files, are found in district files.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Has the Department implemented a process to ensure that the ranking sheets are filed in the respective project file?

Response:

“Ranking sheets are now placed on file for each approved project.”

Question No. 2:

What procedures exist to ensure that all projects are ranked?

Response:

“The details of all project applications are entered into a database as they are received and a file number is assigned. This database is checked against the hard copy file and file number during the Committee’s review and ranking of projects. Rankings resulting from the review process are entered into the database. The listing of projects is checked to ensure the ranking field is completed for each project.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 3

The Department should ensure that the process of approving applications before the deadline has been reached is reviewed to ensure that all projects have an equal opportunity for approval selection process.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they would review the process.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

What have been the results of the review of the process?

Response:

“No projects were approved prior to the 2008-09 application deadline.”

Question No. 2:

Do all projects now have an equal opportunity for approval selection?

Response:

“Yes.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 4

The Department should ensure all additional funding requests are made by separate application.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that effective 2006-07, an amended application form was to be secured as a condition for increased funding. No funds were to be advanced until the amendment form is received.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

Has the Department ensured that the amendment form has been submitted in all cases where additional funding requests are received?

Response:

“Projects sometimes require adjustments in their level of funding that are relatively minor and therefore do not affect the project scope. Therefore, the Department amended its internal operating procedures for the Community Enhancement Employment Program to require completion of an amendment form whenever a sponsor requests a funding increase or decrease of more than \$1,000 in relation to the approved budget. In all cases, where an increase in funding exceeds \$1,000, an amendment form is obtained before an initial advance is made.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 5

The Department should ensure amended applications are provided where required.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that effective 2006-07, an amended application form was required for funding changes, including a decrease in funding, to reflect the change in scope of work and funding particulars. In addition, the Department reported that it uses discretion not to request an amended application where the approved funding is marginally less than the requested amount and the difference is not sufficient to affect the scope of work.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Are amended applications always submitted to the Department?

Response:

“Projects sometimes require adjustments in their level of funding that are relatively minor and therefore do not affect the project scope. Therefore, the Department amended its internal operating procedures for the Community Enhancement Employment Program to require completion of an amendment form whenever a sponsor requests a funding increase or decrease of more than \$1,000 in relation to the approved budget. Amended application forms are obtained in all cases where decreases or increases in funding are greater than \$1,000.”

Question No. 2:

Has the Department adjusted the guidelines to appropriately reflect the process?

Response:

“The Department has amended its internal operating procedures to require completion of an amendment form whenever a sponsor requests a funding increase or decrease of more than \$1,000 in relation to the approved budget.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 6

The Department should ensure funding approved for sponsor groups does not exceed funding requested for the project.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report that on some occasions, the Department becomes aware of an employment need in an area that is greater than the number of workers proposed in an application, and sponsors may be offered additional funding to meet that need. As a condition of increased funding, an amended application form, outlining changes to the scope of work resulting from the increase, is required to be submitted by the sponsor before funding is advanced. However, the Department will review the existing approval process for projects that exceed the original requested funding.

**Entity’s
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Has the Department provided funding in amounts greater than that requested by the project sponsor?

Response:

“For the reasons indicated in response to the 2007 Report, the Department sometimes provides more funding than was originally requested by the project sponsor. In all cases where funding levels exceed \$1,000 over the funding requested, an amended application form is obtained reflecting the additional costing and scope of work before the additional funds are released.”

Question No. 2:

Has the Department completed the review of the existing approval process? What were the results of the review?

Response:

“The review has been completed resulting in the process outlined in #1 above being implemented.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 7

The Department should ensure the receipt date of program related information from sponsor groups is documented and the date is within program deadlines.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they would ensure that all information it receives is date stamped.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

What measures has the Department taken to ensure that all documents are date stamped?

Response:

“Date stamping of applications is required as part of established procedures and is monitored by the Program Manager.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 8

The Department should ensure all applications for funding have sufficient support in the file regarding eligibility of the sponsor group, individuals, and project.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they adhere to the eligibility criteria for sponsor groups which are clearly defined in the program guidelines. With respect to eligibility of individual workers, effective 2007-08 sponsors are required to submit with their final project report affidavits executed by each worker that reflects the required hours needed to qualify for EI benefits. For the past several years, project applications had been assessed by an interdepartmental committee (which includes identification of any eligible projects or sponsors), and these assessments were stored in district files.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Is the Department receiving the affidavits reflecting the required hours a worker needs for EI?

Response:

“Affidavits reflecting the required hours a worker needs to qualify for EI are being received from all project sponsors.”

Question No. 2:

What process does the Department have in place to ensure that the results of the interdepartmental committee are documented and in the district file?

Response:

“The Department has created a database that reflects the details of all applications and rankings of projects for each district.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 9

The Department should ensure decisions relating to the approval and rationale for funding to sponsor groups who were non-compliant in prior programs are formally documented.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they:

- would ensure files are properly documented if funding is approved for sponsors that were in non-compliance in the previous year; and
 - adopted the approach of issuing letters to sponsors advising them of the non-compliance issue identified with their project and serving notice that similar occurrences the following year could jeopardize their eligibility for funding in subsequent years. Any such sponsors who were approved in 2006-07, received a second letter along with their project approval notice; that second letter reminded them of the previous year's finding of non-compliance and repeated the caution that further issues could jeopardize future eligibility.
-

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

What does the Department do to keep track of which sponsor groups were non-compliant in prior years?

Response:

“The Department has created a database by sponsor name of all non-compliance issues for the past three years.”

Question No. 2:

Have any sponsor groups been refused funding due to non-compliance issues in previous years?

Response:

“To date, no sponsor has been refused funding because of non-compliance issues. However, those sponsors that receive funding in a current year that had a non-compliance issue in a prior year are issued a letter reminding them of the issue and requesting that they pay particular attention to the Program Guidelines when delivering the project. Also, with the database the Department can now track repeat incidences of non-compliance which may result in future refusals to provide funding to some sponsors.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 10

The Department should ensure guidelines for all programs offered are implemented and contradictory or inadequate guidelines are restated.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that the observation on contradictory guidelines related to one element of the 2005-06 program guidelines which was rectified effective with the 2006-07 guidelines.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

Are there currently guidelines in place for all employment support programs offered by the Department?

Response:

“Yes.”

Question No. 2:

What changes were made to the guidelines covering the 2005-06 program to ensure that they are not contradictory?

Response:

“The one item of contradiction related to the calculation of material costs and administration fees which differed in the application form from the guidelines. This was corrected effective with the 2006-07 guidelines.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 11

The Department should ensure sufficient documentation is submitted by project sponsors, and that missing information is followed up on as part of the review process.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they would ensure follow-up is maintained on all files missing documentation required as part of the final report process.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

What steps are taken by the Department to follow up on missing documentation?

Response:

“A check list has been developed that identifies every piece of documentation that is required to be submitted with the final report. For missing information noted on the checklist, staff maintain follow-up with the sponsors to ensure the documentation is received.”

Question No. 2:

Has the Department encountered situations where it has been unable to obtain missing documentation from projects sponsors? What actions, if any, were taken at that point?

Response:

“Missing documentation is provided when sponsors are contacted. The final advance to sponsors is not issued unless all required documentation is received. This provides a strong incentive for sponsors to comply with the reporting requirements under the final report process.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 12

The Department should ensure final report reconciliations for all project files, including an indication as to who performed the final report review and when, are formally documented.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2007 Report that they introduced a formal final report reconciliation form with appropriate signature blocks and that they would ensure all such reports are properly executed and on file in the future.

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section:

Question No. 1:

What does the Department do to ensure that the reconciliations are properly executed and on file?

Response:

“As part of the established procedures, the final report reconciliation form is completed and signed by the Program Delivery Specialist and then provided to the Manager with the file for review, approval and signature.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 13

The Department should ensure decisions relating to the rationale for partial final funding releases to sponsor groups before final reports are received and reviewed are formally documented.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they would ensure that the rationale for decisions related to partial final advances was documented and on file.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

What documentation is included in the file to indicate the rationale for decisions related to partial final advances?

Response:

“The rationale for the release of a partial advance is documented by the Program delivery Specialist in a note to the file.”

Question No. 2:

What does the Department do to ensure that this documentation is included in the file?

Response:

“The Manager approves the request for a partial final advance and before doing so ensures the note to file supporting the release of funds in on the file.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 14

The Department should ensure decisions relating to the rationale for final funding releases to non-compliant project sponsors are formally documented.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that they would ensure that the rationale for decisions on final funding releases to non-compliant project sponsors are formally documented.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections:

Question No. 1:

What documentation is included in the file to indicate the rationale for final funding releases to non-compliant project sponsors?

Response:

“The notes section of the final report reconciliation form, as prepared by the Program Delivery Specialist, identifies any reductions in the final advance for non-compliance items and supports the release of the final advance amount.”

Question No. 2:

What does the Department do to ensure that this documentation is included in the file?

Response:

“The Manager approves any reduction in the final advance and the release of the final payment by signing the final report reconciliation form which is presented with the file.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Employment Support Programs
(2007 Annual Report, Part 2.16)



Highlights

Highlights of an update on the review of the Fire Commissioner's Office.

Purpose of Our Review

In 2004, we performed a review of the Fire Commissioner's Office to determine whether:

- the Fire Commissioner was adequately carrying out the provisions of the *Fire Prevention Act, 1991*;
- the Fire Commissioner had adequate systems and practices in place to deliver Provincial fire prevention and protection programs; and
- expenditures were approved, monitored and in compliance with Government policies.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.

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To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adgmail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.24

DEPARTMENT OF MUNICIPAL AFFAIRS

Fire Commissioner's Office

2004 Annual Report, Part 2.35; Updates: 2006, Part 3.2.34; 2007, Part 3.2.24

Recommendations

In 2006 and 2007, we followed up with the Department of Municipal Affairs (the Department) on any progress made on our recommendations that were included in our 2004 Report.

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2004 Report:

1. *The Department should develop and implement a system for the tracking of fire reports to ensure that all reports are complete and received.*
2. *The Department should ensure the Fire Commissioner's Office prepares and submits an annual report.*

Areas of Disagreement

None.

Overall Conclusion

Although the Department indicated in response to our 2004 report that the Department's IT Division was in the process of developing a database to track and record information related fire reports by the fire departments throughout the Province, this database and reporting system is not expected to be operating until April 2009. Furthermore, information from the various fire departments will need to be received and entered into the system before the Fire Commissioner will be able to provide timely reports on fire losses in the Province. We conclude that follow-up is required on these recommendations.

Introduction In 2004, we performed a review of the Fire Commissioner's Office under the Department of Municipal Affairs (the Department). We undertook this review to determine whether the Fire Commissioner was adequately carrying out the provisions of the *Fire Prevention Act, 1991*; the Fire Commissioner had adequate systems and practices in place to deliver Provincial fire prevention and protection programs; and expenditures were approved, monitored and in compliance with Government policies.

What we found Overall, we had significant concerns with the inspection and evaluation of the firefighting capabilities of the 297 fire departments throughout the Province and in providing training to the approximately 6,100 firefighters. In addition, an annual report had not been prepared since 1999 due to the inadequacy of the information system and monitoring information captured by the Fire Commissioner's Office.

Our follow-up In 2006 and 2007, we followed up with the Department on any progress made on our recommendations that were included in our 2004 Report.

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2004 Report:

1. *The Department should develop and implement a system for the tracking of fire reports to ensure that all reports are complete and received.*
2. *The Department should ensure that the Fire Commissioner's Office prepares and submits an annual report.*

The updates provided by the Department in response to our request are contained in this Report.

Overall conclusion Although the Department of Municipal Affairs indicated in response to our 2004 report that its IT Division was in the process of developing a database to track and record information related to fire reports by the fire departments throughout the Province, this database and reporting system is not expected to be operating until April 2009. Furthermore, information from the various fire departments will need to be received and entered into the system before the Fire Commissioner will be able to provide timely reports on fire losses in the Province.

We conclude that follow-up is required on these recommendations.

Recommendation No. 1

The Department should develop and implement a system for the tracking of fire reports to ensure that all reports are complete and received.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 follow-up report request that the request for the acquisition of a new Incident Reporting Management System, which was anticipated to be operational in 2007, was not funded in the budget process; however, Fire and Emergency Services-Newfoundland and Labrador (FES-NL) had requested funding again in the upcoming budget.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

What is the status of the acquisition of a new Incident Reporting Management System?

Response:

“To address this recommendation, FES-NL took the following actions: (1) Bill 60, Fire Protection Services Act, was approved in the House of Assembly in December 2008. Once proclaimed, this Act contains reporting requirements for fire departments. This legislative requirement will ensure that the Fire Commissioner's Office receives fire reports; and (2) a new Fire Service Report Management System (FSRMS) is to be implemented in April 2009 that will enhance information management capacity and facilitate accurate tracking of fire data with the Fire Commissioner's Office.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that implementation is in progress.

We agree with this response.

Recommendation No. 2

The Department should ensure that the Fire Commissioner's Office prepares and submits an annual report.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 follow-up report request that the FES-NL was unable to produce an accurate Annual Fire Loss Report due to the lack of a suitable fire loss data management system. It was anticipated that actual programming work on this system would start in 2008-09.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

What is the status of the programming work on a suitable fire loss data management system in order to produce an accurate Annual Fire Loss Report?

Response:

“Programming of the FSRMS is completed and FSRMS will be implemented in April 2009. Once fire data is received from fire departments and the information is inputted into the FSRMS, the system will have the capacity to generate an annual report of fire loss.

It should be noted that FES-NL is a category 2 entity under the Transparency and Accountability Act and as such is required to submit an Annual Report. Upon proclamation of the new Fire Protection Services Act and implementation of the new FSRMS, FES-NL will include a fire loss report within the Agency's Annual Report.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that implementation is in progress.

We agree with this response.

Fire Commissioner's Office
(2004 Annual Report, Part 2.35; 2006 Annual Report, Part 3.2.34; 2007 Annual Report, Part 3.2.24)



Highlights

Highlights of an update on the review of the Municipal Assessment Agency.

Purpose of Our Review

In 2005, we conducted our review of the Municipal Assessment Agency to determine whether the Agency:

- followed established legislation, policies and procedures with respect to conducting property assessments; and
- complied with Government and Agency policies and procedures relating to its expenditures.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.25

DEPARTMENT OF MUNICIPAL AFFAIRS

Municipal Assessment Agency

2005 Annual Report, Part 2.20; Update: 2007, Part 3.2.27

Recommendations

We first monitored this item in 2007. While the Municipal Assessment Agency (the Agency) reported that some recommendations had been implemented, other recommendations had not been fully implemented. Therefore, in February 2009, we contacted the Agency requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

1. *The Agency should plan the timing and location of inspections to ensure policy and legislation requirements are being met and resources are used efficiently.*
2. *The Agency should conduct inspections on a more timely basis.*
3. *The Agency should ensure that database anomalies identified in the exception reports are addressed promptly and that the action taken is recorded.*

Areas of Disagreement

None.

Overall Conclusion

We conclude that no follow-up is required on this Report because the Agency has implemented all of our recommendations.

Introduction

At the time of our review in 2005, the Municipal Assessment Agency (the Agency), a Crown-owned agency created in 1997, was the only source of residential and commercial property assessment services for 230 municipalities which levy property taxes. The exception is the City of St. John's, which performs its own assessments.

The Agency operated under the *Assessment Act* and reports to a board of directors comprised of 6 elected municipal officials, 2 representatives from the Provincial government, 2 from municipal associations and 2 taxpayers. The Agency has three regional offices (Eastern, Central and Western) and seven satellite offices throughout the Province.

The Agency performs assessments on the following types of properties: residential, vacant land parcels, commercial/industrial and other properties. Mass appraisal techniques are used to assist in valuing properties. Mass appraisal provides that properties with similar characteristics and circumstances are valued similarly. The Agency charges an annual fee to municipalities for assessment services.

We conducted our review of the Agency to determine whether the Agency:

- followed established legislation, policies and procedures with respect to conducting property assessments; and
- complied with Government and Agency policies and procedures relating to its expenditures.

What we found

As a result of our review, we reached the following overall conclusions:

Property sales inspections were not completed

At the time of our review, nearly half of the 20,055 properties sold during the period 2002 to 2005 were never inspected.

Full inspections were not completed

Contrary to policy, approximately 74% of inspections did not include an interior inspection of the property. A contributing factor to this situation was that there was no follow-up if the property owner was not home.

Guidance to assessors was not provided

Staff at the Agency indicated that, as a result of the lack of guidance provided to assessors, there were inconsistencies in the completion of assessment forms.

Target for 10 year inspections was not achieved in 2005

The *Assessment Act* required that all properties be visited for inspection at least once every 10 years. The Agency inspected only 6% of properties in 2005 instead of its target of 10%. Not achieving this target in any given year increases the risk that all properties will not be inspected by 2008 as required.

Application of statistical measures revealed potential inaccuracies in assessed property values

When the Agency applies statistical measures to the 49 municipalities in the Province which had sufficient property sales to apply the measures, it was revealed that 5 municipalities had poor assessment quality, 4 municipalities lacked good appraisal uniformity in properties with similar characteristics, and 29 municipalities had high-value properties undervalued.

Database anomalies

There was no indication, during our review, that database anomalies were being addressed.

Travel expenses non-compliant

Although the Agency had adopted Government's travel policy, we found instances of non-compliance.

Consultant hired without an objective evaluation

In 2003, without the use of an objective means of evaluation such as the Province's *Consultant's Guidelines*, the Agency selected a consultant to design and implement a new management structure.

Inconsistent expenditures

There were instances where expenditures were incurred that were not consistent with Government policy.

Our follow-up We first monitored this item in 2007. While the Agency reported that some recommendations had been implemented, other recommendations had not been fully implemented. Therefore, in February 2009, we contacted the Agency requesting an update as to any further progress made on the following recommendations that were included in our 2005 Report:

1. *The Agency should plan the timing and location of inspections to ensure policy and legislation requirements are being met and resources are used efficiently.*
2. *The Agency should conduct inspections on a more timely basis.*
3. *The Agency should ensure that database anomalies identified in the exception reports are addressed promptly and that the action taken is recorded.*

The updates provided by the Agency in response to our request are contained in this Report.

Overall conclusion We conclude that no follow-up is required on this Report because the Agency has addressed all of our recommendations.

Recommendation No. 1

The Agency should plan the timing and location of inspections to ensure policy and legislation requirements are being met and resources are used efficiently.

Entity's response from previous report The Agency indicated in its response to the 2007 follow-up report request that:

- it directs staff to complete full property inspections whenever access is gained to a property;
- it was on target to complete the ten year time frame for re-inspection of property, although this requirement was removed from the legislation in December 2006; and

- it will develop criteria to target re-inspections consistent with the life cycle of real property, following completion of the re-inspection program, which was anticipated for 2008.

**Entity's
response to
specific
questions**

The Agency was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

How many inspections were completed for the 2008 fiscal year and the 2009 fiscal year to-date? For each year, how many inspections were full inspections?

Response:

The Agency provided the following information:

Year	Inspections	Full Inspections
2007-08	28,287	5,506
2009 to-date	31,536	4,651

Question No. 2:

Has the ten year time frame for re-inspection of property been completed?

Response:

“Although the requirement for the ten year time frame was removed from the legislation in December 2006, we will complete the re-inspection of all property this year.”

Question No. 3:

Have criteria to target re-inspections consistent with the life cycle of real property been completed?

Response:

“There are draft criteria only at this point.”

**Our
conclusion**

Follow-up Not Required

The Agency indicated that the recommendation is still applicable; that they agree with the original recommendation; and that it has been implemented.

We agree that the recommendation is still applicable as the Agency still conducts inspections. However, the policy and legislation that we reviewed in our original report and upon which we based our recommendation have changed.

During our original review, the Field Data Collection policy stated that field inspections for any reason required a full on-site inspection. This would include inspecting the interior of the property. During our original review, we reported that not all properties inspected had a full on-site inspection. The Field Data Collection policy now states that when a field inspection is required an on-site inspection will be conducted. As directed by the Agency, this on-site inspection would include the interior of the property whenever access is gained to a property. In addition, the *Assessment Act* no longer requires that properties be inspected once every 10 years.

As the policy and legislation that we reviewed in our original report and upon which we based our recommendation have changed, no further monitoring of this recommendation is required.

Recommendation No. 2

The Agency should conduct inspections on a more timely basis.

**Entity's
response from
previous report**

The Agency indicated in its response to the 2007 follow-up report request that:

- it was on target to complete the validation process for all sales to be used in the assessment and revaluation process;
- property sales were reviewed, visited and validated in accordance with policy and good assessment practice; and
- it had implemented a sales validation policy.

**Entity's
response to
specific
questions**

The Agency was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the validation process for all sales to be used in the assessment and revaluation process been completed?

Response:

“Yes”

Question No. 2:

Has a sales validation policy been implemented?

Response:

“Yes”

Question No. 3:

How long does it take to complete the validation process from the time that the sale occurs?

Response:

“Typically, it will take four to six months. There is a time lag of two months typically from the time the sale occurs until we are made aware that the property has sold; it is then reviewed by the assessor and packaged with other work for a field visit, if required.”

**Our
conclusion**

Follow-up Not Required

We agree that the Agency's actions have addressed our recommendation.

Recommendation No. 3

The Agency should ensure that database anomalies identified in the exception reports are addressed promptly and that the action taken is recorded.

**Entity's
response from
previous report**

The Agency indicated in its response to the 2007 follow-up report request that:

- It continues to review its practice with respect to database anomalies and that there was a need to develop a method to identify permitted exceptions to ensure these exceptions were not returned on future reports.
 - It had identified the need for system modifications to resolve a number of issues identified by valuation and field staff. The Agency indicated that it had deferred these modifications while it was reviewing possible software upgrades that would make the modifications unnecessary.
 - It was continuing to review the filtering criteria to ensure that staff time was not spent addressing issues that affect non-valuation data.
 - Data anomalies, once identified, were forwarded to the assessor for review and correction, where necessary and if subsequent reports identify corrections which have not been made the issue was raised to the supervisory level for follow-up.
-

**Entity's
response to
specific
questions**

The Agency was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has a method been developed to identify permitted exceptions to ensure these exceptions were not returned on future anomaly reports?

Response:

“No, and as a result we have constrained the exception report process to anomalies that affect valuation, or other areas that affect program delivery.

For example, before the production of the annual assessment roll, the Agency tests the accuracy of its addresses, using Canada Post prescribed software. The software reports on address standards developed by Canada Post and ensures our database meets the requirements of Canada Post. Prior to the annual roll in October 2008, an Address Accuracy test was conducted in July 2008. Report results were split in five geographical regions and ranged from 96.31% to 99.81%. This does not mean the remaining addresses were inaccurate, but rather that they did not meet the standard of Canada Post. In some cases our addresses are more current than the software provided by Canada Post.

In addition, I refer you to [our] ‘Exception’ report policy and the most recent results.”

Question No. 2:

Have the system modifications been made or has the software been upgraded? Have modifications or software upgrade addressed the issues indentified by the valuation and field staff?

Response:

“The need for the system upgrade has been identified and the Agency has reviewed options. A solution has been identified and the Board of Directors reviewing the options and the cost associated.”

Question No. 3:

Have the review of the filtering criteria been completed? Has this resulted in staff spending less time addressing issues that affect non-valuation data?

Response:

“Changes or corrections that may be corrected by batch update are completed by system staff at the direction of valuation staff. Only those anomalies that affect valuation are directed to staff.”

Question No. 4:

- Are data anomalies forwarded to the assessor for review and correction, where necessary?

Response:

“Yes”

- Are uncorrected anomalies addressed by the supervisory level as required?

Response:

“Yes”

**Our
conclusion**

Follow-up Not Required

We agree that the Agency’s actions have addressed our recommendation.



Highlights

Highlights of an update on the review of the Department of Natural Resources' Firearms Program as at 31 March 2007.

Purpose of Our Review

In 2007, we performed a review of the Natural Resources firearms to determine:

- whether the Department had adequate systems to record, monitor and secure its firearms inventory;
- whether the Firearms Policy covered all relevant issues pertaining to the use and control of firearms;
- whether the Department had adequate procedures to monitor compliance by Conservation Officers with the Firearms Policy and, where appropriate, test compliance with this Policy; and
- whether use of force training was provided to Conservation Officers.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.26

DEPARTMENT OF NATURAL RESOURCES

Firearms Program

2007 Annual Report, Part 2.17

Recommendations

In February 2009, we contacted the Department of Natural Resources (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should appoint a Firearms Control Officer to provide overall responsibility for the recording and control of the Department's firearms.*
2. *The Department should comply with the Firearms Policy.*

Areas of Disagreement

None.

Overall Conclusion

We conclude that no follow-up is required on this Report because the Department has implemented all of our recommendations.

Introduction In 2007, we performed a review of firearms used by the Department of Natural Resources (the Department). We undertook this review to determine whether the Department had adequate systems to record, monitor and secure its firearms inventory; whether the Firearms Policy covered all relevant issues pertaining to the use and control of firearms; whether the Department had adequate procedures to monitor compliance by Conservation Officers with the Firearms Policy and, where appropriate, test compliance with this Policy; and whether use of force training was provided to Conservation Officers.

What we found Overall, we had concerns with how the Department records, monitors and secures its firearms and other enforcement items. Specifically, the Department did not always comply with its Firearms Policy, the Department's inventory system was not accurate or complete, information on the recertification and use of force training was not maintained in a database and a Firearms Control Officer had not yet been appointed.

Our follow-up In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report.

1. *The Department should appoint a Firearms Control Officer to provide overall responsibility for the recording and control of the Department's firearms.*
2. *The Department should comply with the Firearms Policy.*

The updates provided by the Department in response to our request are contained in this Report.

Overall conclusion We conclude that no follow-up is required on this Report because the Department of Natural Resources has implemented all of our recommendations.

Recommendation No. 1

The Department should appoint a Firearms Control Officer to provide overall responsibility for the recording and control of the Department's firearms.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that the Firearms Control Officer Position would be advertised and hopefully filled before the end of that fiscal year.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department appointed a Firearms Control Officer with overall responsibility for the recording and controlling of the Department's firearms?

Response:

“The Department staffed a full time Firearms Control Officer position in July, 2008 which is assigned to the Legislation and Compliance Division, Corner Brook, NL.

This position is responsible for the administration of all seized firearms in possession of the Department and the overall departmental firearms (side arms and long guns) and officer safety training programs (use of force).

This position works closely with Management and Field Staff throughout the Department to ensure compliance to the existing firearms control programs and Federal Firearms Legislation.

The position avails of existing training in relation to firearms and use of force from outside the Department to ensure standards maintained to modern day levels.

The position has proven to be effective and has enhanced the Department's position regarding the safety, security and tracking of all firearms and the consistent approach to training in officer safety.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 2

The Department should comply with the Firearms Policy.

**Entity's
response from
previous report**

The Department indicated in its response to the 2007 Report that it would comply with the Firearms Policy and that the staff, supervisors and directors would be directed to be more vigilant in the identified non-compliances with the policy. The Department also stated that an annual internal audit was completed in 2007 and that a final report was being prepared.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

What is the status of any recommendations from the internal audit report?

Response:

“The 2007 internal audit report had been completed.

Internal firearm control audits were conducted on an annual basis by the Department prior to the implementation of the Firearms Control Officer.

The implementation of the Firearms Control Officer's position provides for the Department to conduct internal firearm control audits on a consistent basis and ensures that the methods used are effective and concise.

In addition to the annual audit, the Firearm Control Officer conducts periodic inspections and audits to ensure ongoing adherence to the Department's existing firearms related policies.

**Natural Resources Firearms
(2007 Annual Report, Part 2.17)**

The Firearms Control Officer continues to monitor and update the Department's related policies to ensure a consistent approach by field staff.

The Firearms Control Officer position is deemed essential and the Firearms Control Officer continues to work with supervisors and field staff in the implementation of all related programs.

In summary the position of the Firearms Control Officer allows this Department to follow consistent guidelines as well implement recommendations that have been forthcoming from the Auditor General's Report."

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.



Highlights

Highlights of an update on the review of the Agriculture Policy Framework Initiative for the period 1 April 2003 to 31 October 2005.

Purpose of Our Review

In 2006, we performed a review of the Agriculture Policy Framework Initiative (APFI) of the Department to determine whether:

- applications were adequately assessed and approved;
- claims under approved projects were adequately monitored and verified; and
- performance indicators and measurable targets had been established, and actual results had been reported against these objectives to evaluate the outcomes of the APFI.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



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Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.27

DEPARTMENT OF NATURAL RESOURCES

Agriculture Policy Framework Initiative
2006 Annual Report, Part 2.14

Recommendations

In February 2009, we contacted the Department of Natural Resources (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Department should develop a policy to guide the Implementation Committee in approving funding for related businesses with common ownership.*
2. *The Department should develop specific criteria outlining under which circumstances the Committee may consider approving excess funds.*
3. *The Department should complete inspections for all projects in accordance with APFI policy.*
4. *The Department should develop guidelines for the content of project reports and require that project reports be submitted after the project is completed according to such guidelines.*
5. *The Department should develop guidelines for the compliance audit process and ensure the audits are completed according to these guidelines.*
6. *The Department should meet reporting requirements under the Federal-Provincial agreement.*

Areas of Disagreement

None.

Overall Conclusion

We conclude that no follow-up is required on this Report because the Department has implemented all of our recommendations.

Introduction In 2006, we performed a review of the Agriculture Policy Framework Initiative (APFI) of the Department of Natural Resources (the Department). We undertook this review to determine whether applications were adequately assessed and approved; claims under approved projects were adequately monitored and verified; and performance indicators and measurable targets had been established, and actual results had been reported against these objectives to evaluate the outcomes of the APFI.

What we found Overall, we had significant concerns with the level of funding provided to related parties without established criteria, the adequacy of documentation on file to support payments, required inspections not always performed or adequately documented, compliance audits were not conducted, final project reports were not always required or completed and required financial and management reports were not always provided or provided in a timely manner to the Federal Government.

Our follow-up In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report.

- 1. The Department should develop a policy to guide the Implementation Committee in approving funding for related businesses with common ownership.*
- 2. The Department should develop specific criteria outlining under which circumstances the Committee may consider approving excess funds.*
- 3. The Department should complete inspections for all projects in accordance with APFI policy.*
- 4. The Department should develop guidelines for the content of project reports and require that project reports be submitted after the project is completed according to such guidelines.*
- 5. The Department should develop guidelines for the compliance audit process and ensure the audits are completed according to these guidelines.*
- 6. The Department should meet reporting requirements under the Federal-Provincial agreement.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

We conclude that no follow-up is required on this Report because the Department has implemented all of our recommendations.

Recommendation No. 1

The Department should develop a policy to guide the Implementation Committee in approving funding for related businesses with common ownership.

**Entity's
response from
previous report**

The Department indicated in their response to the 2006 Report that they would act on the recommendation.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department developed a policy to guide the Implementation Committee in approving funding for related businesses with common ownership? If not, what is the status of the development of a policy?

Response:

“The APF Implementation Committee has developed a policy for funding applicants with common ownership.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 2

The Department should develop specific criteria outlining under which circumstances the Committee may consider approving excess funds.

**Entity's
response from
previous report**

The Department indicated in their response to the 2006 Report that they would act on the recommendation.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department developed specific criteria outlining under which circumstances the Committee may consider approving excess funds? If not, what is the status of the development of specific criteria?

Response:

“The APF Implementation Committee has developed criteria outlining the circumstances under which it may approve excess funds. These criteria are as follows:

- The number of agribusinesses impacted by the project.
 - The value of the project to the sector or agrifoods industry.
 - The support of the agriculture industry for the project.”
-

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 3

The Department should complete inspections for all projects in accordance with APFI policy.

**Entity's
response from
previous report**

The Department indicated in their response to the 2006 Report that they acknowledged and noted the findings for improvements in the verification and validation of expenditures.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Do APFI staff conduct inspections of all Department and Association projects? If not, what is the status of inspections on all Department and Association projects?

Response:

“Under Growing Forward, there will no longer be any Departmental projects. The only Departmental expenditures will be for administration for the program, and delivery of the Environmental Farm Planning and the On-Farm Food Safety Programs. Therefore, inspections will not be practical for these programs.

For association projects, all expenditures involving capital projects are inspected by Department staff. Other projects, such as training, feasibility studies, and market development, where it is not feasible to conduct an inspection, are verified through other methods, such as reports, participant feedback, and submission of marketing products.”

Question No. 2:

Are all inspection reports supported with project pictures and claimed equipment serial numbers? If not, why not?

Response:

“Project pictures are submitted with all producer and industry inspections, where feasible and adds value to the verification process. Not all equipment contains serial numbers; however, for those that do, they are noted on the Inspection Certificate.”

**Our
conclusion**

Follow-up Not Required

The Department indicated that the recommendation is no longer applicable as the APF program has now ended.

We agree with this response.

Recommendation No. 4

The Department should develop guidelines for the content of project reports and require that project reports be submitted after the project is completed according to such guidelines.

**Entity’s
response from
previous report**

The Department indicated in their response to the 2006 Report that they had recently made several improvements in this area including a 10% holdback policy until projects requiring a completion report had submitted the report.

**Entity’s
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Department developed guidelines to assist applicants/project leaders in the preparation and content of project reports? If not, what is the status of the development of the guidelines?

Response:

“The Department has completed guidelines to assist in the preparation and content of project reports.”

Question No. 2:

Has the 10% holdback policy improved the submission of project reports?
What percentage of completed projects has submitted project reports?

Response:

“The 10% holdback has assisted in ensuring project reports are submitted in a timely manner. For those projects that require a project report, all reports have been received.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 5

The Department should develop guidelines for the compliance audit process and ensure the audits are completed according to these guidelines.

**Entity’s
response from
previous report**

The Department indicated in their response to the 2006 Report that 56 compliance inspections had been conducted in 2006 on APF projects, a practice that would continue throughout the term of the APF Agreement.

**Entity’s
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Department developed guidelines for the compliance audit process? If not, what is the status of the development of the guidelines?

Response:

“Guidelines for the compliance audit process have been developed and are as follows:

- Compliance audits shall be conducted every two to three years.
- The population from which the audit sample will be drawn will include all projects that were completed since the period of the previous audit.
- The audit sample will represent all APFI program areas and all regions of the province.
- The audit sample will represent no less than 20% of producer projects completed in the period being audited.
- The audit sample will be randomly selected by Department management or Program administration staff.
- Compliance audits may be conducted by Agricultural Representatives, Program Managers or other staff with knowledge of the project.
- A Compliance Audit Inspection Certificate must be completed and signed by the individual auditing the project.
- Photographs of the project must accompany the Compliance Audit Inspection Certificate.
- Only the items selected for the sample will be audited.”

Question No. 2:

Has the Department continued to conduct compliance audits? If so, how many compliance inspections were completed during 2007-08? If not, why are compliance audits not completed?

Response:

“Compliance audits were conducted in 2006 and the deadline for the next series of audits in August 2009. An audit sample has been selected and the audits will be conducted during April to June of 2009.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 6

The Department should meet reporting requirements under the Federal-Provincial agreement.

**Entity’s
response from
previous report**

The Department indicated in their response to the 2006 Report that beginning in 2005-06, they prepared quarterly reports detailing the results and status of the activities and objectives of the APFI. The Department also stated that financial statements for 2003-04 and 2004-05 had been prepared by external auditors and had been submitted to Agriculture and Agri-Food Canada.

**Entity’s
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Department continued to prepare and submit quarterly reports? If not, what was the last quarterly report period submitted?

Response:

“All reports have been submitted to the satisfaction Agriculture and Agri-Food Canada.”

Question No. 2:

Have audited financial statements been prepared and submitted within 6 months of the fiscal year? If not, what fiscal year was the last audit completed and submitted for?

Response:

“All reports have been submitted to the satisfaction Agriculture and Agri-Food Canada.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.



Highlights

Highlights of an update on the review of Recreation Grants in the Department of Tourism, Culture and Recreation for the period 1 April 2004 to 31 March 2005.

Purpose of Our Review

In 2006, we performed a review of the Department of Tourism, Culture and Recreation's recreation grant program to determine whether the Department:

- adequately and consistently evaluated grant applications;
- awarded grants in accordance with program guidelines; and
- monitored the effectiveness of the program.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.28

DEPARTMENT OF TOURISM, CULTURE AND RECREATION

Recreation Grants

2006 Annual Report, Part 2.15

Recommendations

In February 2009, we contacted the Department of Tourism, Culture and Recreation (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Department should document decisions relating to the approval and the rationale for grant allocations.*
2. *The Department should develop objective guidelines for assessing grant applications.*
3. *The Department should ensure grant applications are assessed in line with established guidelines.*
4. *The Department should establish measurable targets for the recreation grant programs and report on activities in relation to these targets.*

Areas of Disagreement

None.

Overall Conclusion

The Department has not addressed all of the recommendations in our 2006 Report. To address recommendation number 4, the Department will need to develop measurable targets, determine how these targets will be evaluated, and evaluate and report the program's outcomes against these targets. We conclude that follow-up is required on this recommendation.

Introduction In 2006, we performed a review of the Department of Tourism, Culture and Recreation's (the Department) recreation grant programs to determine whether the Department adequately and consistently evaluated grant applications; awarded grants in accordance with program guidelines; and monitored the effectiveness of the programs.

What we found Overall, we had concerns with the consistent evaluation of applications for recreation grants. Specifically, quantifiable evaluation criteria for the assessment of all grant applications did not exist, there were no formal applications or assessment criteria for certain program grants and grants were not always awarded in accordance with program guidelines.

In addition, the Department was not monitoring the effectiveness of the program in that it had not established specific targets for program objectives and it did not prepare an annual performance report on the activities and outcomes of the programs.

Our follow-up In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report.

1. *The Department should document decisions relating to the approval and the rationale for grant allocations.*
2. *The Department should develop objective guidelines for assessing grant applications.*
3. *The Department should ensure grant applications are assessed in line with established guidelines.*
4. *The Department should establish measurable targets for the recreation grant programs and report on activities in relation to these targets.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

The Department of Tourism, Culture and Recreation has not addressed all of the recommendations in our 2006 Report. To address recommendation number 4, the Department will need to develop measurable targets, determine how these targets will be evaluated, and evaluate and report the program's outcomes against these targets.

We conclude that follow-up is required on this recommendation.

Recommendation No. 1

The Department should document decisions relating to the approval and the rationale for grant allocations.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that the Department would take appropriate action to ensure administrative matters such as appropriate documentation, verbal discussions reflected in file notes, and the proper documentation of assessments, approvals and decisions would be strictly adhered to in the future.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

How has the Department improved the documentation of decisions related to grant approvals and rationale for grant allocations?

Response:

“The Recreation Grants process and application have been updated to better reflect the goals and outcomes of the Recreation and Sport Strategy which was released in 2007.

- Any verbal or written discussions and any clarification received on applications will be recorded and kept on file.

- Consultants have been directed to include in files appropriate accounts of discussions and conversations that have transpired regarding applications.
- All applications are kept on file for the current application year.
- Decisions will be communicated to applicants.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 2

The Department should develop objective guidelines for assessing grant applications.

**Entity’s
response from
previous report**

The Department indicated in its response to the 2006 Report that the Department would work towards amending the existing guidelines to enhance the level of objectivity for the assessment and approval of grant applications.

**Entity’s
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department amended existing guidelines to enhance the level of objectivity for assessing and approving grant applications? If not, what is the status of the amendment of the existing guidelines?

Response:

“Yes, the Department is continuing to amend and develop appropriate criteria to enhance the level of objectivity in assessing and approving grant applications.

Recreation Grants (2006 Annual Report, Part 2.15)

- The Recreation Grants process and application have been updated to better reflect the goals and outcomes of the Recreation and Sport Strategy which was released in 2007.
- A committee of Sport/Rec consultants and Recreation NL (umbrella federation who represents the recreation commissions and groups in the province) has worked towards formulating a more objective set of criteria.
- New application and guidelines are being used for the 2009/2010 fiscal year.
- A point system will be used to determine the amount of funding municipalities will receive.
- The Committee reviews the applications, tallies the points and decisions are confirmed on funding levels.
- Funding levels are tied to points accumulated from the application using the criteria outlined in the application.”

Our conclusion

Follow-up Not Required

We agree that the Department’s actions have addressed our recommendation.

Recommendation No. 3

The Department should ensure grant applications are assessed in line with established guidelines.

Entity’s response from previous report

The Department indicated in its response to the 2006 Report that the Department would formalize criteria, used by Departmental staff to address unique needs, into more objective and quantifiable criteria.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department formalized criteria into more objective and quantifiable criteria to address unique needs? If not, what is the status of the criteria?

Response:

“Formalized criteria continue to be developed to address this issue.

- Guidelines have been put in place in the new application process that directly address those individuals with unique needs (developed jointly by TCR and Recreation NL committee).
- A point system will be used to determine the amount of funding municipalities will receive for projects/organizations with unique needs.
- The Committee reviews the applications, tallies the points and decisions are confirmed on funding levels.
- Funding levels are tied to points accumulated from the application using the criteria outlined in the application.
- It is anticipated that Budget 2009/10 will have dedicated monies approved for seniors' programming. TCR will work with the Women's Policy office and Health and Community Services in developing the guidelines and application for this new aspect of the Recreation Grants program.

Remaining to be completed:

- 2009/10 is the first year that Recreation Grants applications will directly address those with unique needs.
- An ongoing evaluation will be conducted to gauge effectiveness and objectivity.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 4

The Department should establish measurable targets for the recreation grant programs and report on activities in relation to these targets.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that the Department was in the process of completing a Recreation and Sport Strategy for Newfoundland and Labrador. As part of this Strategy, the Department would be conducting a review of existing programs, their goals and objectives, program structure and delivery mechanisms, as well as the evaluation and monitoring tools so that programs and services may be properly assessed for impact.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Recreation and Sport Strategy for Newfoundland and Labrador been completed? If not, what is the status of the completion of the Strategy?

Response:

“Yes, the Recreation and Sport Strategy has been completed and the Department is working on implementing the various recommendations.

- An evaluation framework exists and work is ongoing to evaluate various programs and work of the Recreation and Sport Division.

- Currently, a review of the operations and organization of the Recreation and Sport Division is underway and a review of the NL Winter/Summer Games is also underway.
- The Recreation and Sport Division will continue to undertake evaluations of the various elements of the strategy throughout 2009/10.”

Question No. 2:

Has the Department established measurable targets for the recreation grant programs? If not, please advise on the status.

Response:

“TCR is continuing to develop appropriate evaluation mechanisms.

- The Department is in the process of determining what is to be evaluated: Client targets? Process targets? Financial?
- With the new application and guidelines being used for 2009/10, specific funding has been allocated to determine the best path forward for evaluation and to conduct evaluation of the program once criteria are set.
- The Evaluation Framework for the Recreation and Sport Strategy will also aid in establishing this specific piece of evaluation.
- Targets will be developed and evaluation be conducted as part of the new application process and program.”

Question No. 3:

Does the Department report on activities in relation to targets, if established? If not, please advise on the status.

Response:

“The Department establishes priorities through the Department’s Strategic Plan, and reports on their implementation through the Department’s annual report with targets and activities that are measurable.

**Recreation Grants
(2006 Annual Report, Part 2.15)**

The Recreation and Sport Division is developing measures and targets at the program level for the revised program and application. Consultation with the municipalities that receive this funding and Recreation NL is an integral part of this process.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not yet fully implemented.

We agree with this response.

**Recreation Grants
(2006 Annual Report, Part 2.15)**



Highlights

Highlights of an update on the review of the Department of Transportation and Works' Equipment Maintenance Program for the period 1 April 2006 to 31 March 2007.

Purpose of Our Review

In 2007, we performed a review of the Equipment Maintenance Program at the Department of Transportation and Works to:

- determine the age and composition of the heavy equipment fleet;
- determine whether the Department had an overall strategy for replacement of heavy equipment;
- assess compliance with the *Public Tender Act*; and
- assess the adequacy of management information systems in relation to monitoring and controlling the equipment maintenance program throughout the Province.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.29

DEPARTMENT OF TRANSPORTATION AND WORKS

Equipment Maintenance Program

2007 Annual Report, Part 2.18

Recommendations

In February 2009, we contacted the Department of Transportation and Works (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Department should continue to reduce the age of its heavy equipment fleet.*
2. *The Department should develop a formal replacement strategy for its heavy equipment fleet.*
3. *The Department should comply with the spirit of the Public Tender Act.*
4. *The Department should perform a review of the Equipment Management System (EMS) and/or consider alternate systems with a view to addressing current system deficiencies.*

Areas of Disagreement

With regard to the recommendation number 3 dealing with compliance with the *Public Tender Act*, the Department indicated that it followed the *Public Tender Act* in that the lowest compliant tender was accepted. We maintain that the Department did not comply with the spirit of the *Public Tender Act* when it purchased 15 used loaders in June 2006. The terms and conditions of the tender were so specific that only the eventual supplier would be in a position to be awarded the tender.

Overall Conclusion

While the Department of Transportation and Works has taken some action in addressing recommendation numbers 1, 2 and 4 from our 2007 Report, they have not yet been fully addressed. The age of the Department's heavy equipment fleet is being reduced over a five year period, work is ongoing on a more comprehensive replacement strategy and the existing Equipment Maintenance System and required changes are being worked on. We conclude that further follow-up is required on these recommendations.

In addition, given the Department's position on recommendation number 3, further follow-up by this Office would be of no benefit.

Introduction In 2007, we performed a review of the Equipment Maintenance Program at the Department of Transportation and Works. We conducted our audit to determine the age and composition of the heavy equipment fleet; determine whether the Department had an overall strategy for replacement of heavy equipment; assess compliance with the *Public Tender Act*; and assess the adequacy of management information systems in relation to monitoring and controlling the equipment maintenance program throughout the Province.

What we found As a result of our review, we reached the following overall conclusions:

There were significant weaknesses in the Department's equipment maintenance program for heavy equipment. For example:

Age of heavy equipment fleet

Despite recent increased investment in heavy equipment, primarily snow clearing equipment, much of the Department's heavy equipment fleet remained past the point where it could continue to operate economically. Although the Department had determined that repair costs become quite significant for heavy trucks 10 years old and greater and heavy equipment 20 years old and greater, our review indicated that:

- of the 322 heavy trucks, 109 or 34 % were 10 years old and greater; and
- of the 284 pieces of other heavy equipment 90 or 32% were 20 years old and greater and 24 of the 90 pieces were 30 years old and greater.

Heavy equipment replacement strategy

There is no overall replacement strategy in place for heavy equipment which would assist in optimizing acquisition decisions and in determining the appropriate level of required funding for the future operation of the heavy equipment fleet. Current replacement decisions were made largely on an annual budgetary basis by region without the benefit of an overall analysis and a comprehensive replacement strategy.

While the Department expected to be allocated funding to 2010-11 to address most of the current replacement requirements, additional funds would be required to replace vehicles which would subsequently pass the age identified for replacement.

Compliance with the *Public Tender Act*

The Department did not comply with the spirit of the *Public Tender Act* when it purchased 15 used loaders in June 2006. The terms and conditions of the tender were so specific that only the eventual supplier would be in a position to be awarded the tender. In particular, the Department set a maximum required bid of \$2.5 million and reduced the quantity from 16 to 15 to match the number of loaders available from the eventual supplier.

Management information systems

Due to deficiencies in the Department's Equipment Management System (EMS), it was not possible to assess the costs associated directly with the heavy equipment fleet and whether recent investments in equipment have led to reductions in repair costs or downtime.

As a result of the issues of completeness and accuracy identified with the Department's EMS, the reliability and usefulness of information contained within the system is limited. The system is not operating as intended and as a result, management lacks the information required to effectively manage the Province's heavy equipment fleet.

Our follow-up

In February 2009, we contacted the Department requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

- 1. The Department should continue to reduce the age of its heavy equipment fleet.*
- 2. The Department should develop a formal replacement strategy for its heavy equipment fleet.*
- 3. The Department should comply with the spirit of the Public Tender Act.*
- 4. The Department should perform a review of the EMS and/or consider alternate systems with a view to addressing current system deficiencies.*

The updates provided by the Department in response to our request are contained in this Report.

**Overall
conclusion**

While the Department of Transportation and Works has taken some action in addressing recommendation numbers 1, 2 and 4 from our 2007 Report, they have not yet been fully addressed. The age of the Department's heavy equipment fleet is being reduced over a five year period, work is ongoing on a more formalized replacement strategy and the existing Equipment Maintenance System and required changes are being worked on. We will continue to monitor the Department's progress in these areas.

We conclude that follow-up is required on these recommendations.

With regard to recommendation number 3, dealing with compliance with the *Public Tender Act*, we disagree with the Department's reasoning. The Department indicated that it followed the *Public Tender Act* in that the lowest compliant tender was accepted. We maintain that the Department did not comply with the spirit of the *Public Tender Act* when it purchased 15 used loaders in June 2006. The terms and conditions of the tender were so specific that only the eventual supplier would be in a position to be awarded the tender. Given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Department should continue to reduce the age of its heavy equipment fleet.

**Entity's
response from
previous report**

The Department indicated in its response to the report that:

- the Department had a five (5) year strategy to reduce the average age of its heavy equipment fleet by investing approximately \$10 million per annum in acquisition of new units; and
- in 2010-11, the Department would re-assess the age of its fleet and advance a revised strategy for continued capital investments in its fleet.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department's subsequent capital investments continued to reduce the age of its heavy equipment fleet?

Response:

“The Department is continuing to work within its 5 year strategy by investing \$10 million per year in the acquisition of new units.

In anticipation of the 2010/2011 reassessment of the heavy equipment fleet, work is ongoing regarding establishing benchmarks such as average age of various classifications of heavy equipment.

During fiscal year 2009/2010, 30 new tandem axle plow trucks are to be purchased along with various other pieces of heavy equipment. This \$10 million capital investment continues to reduce the age of the fleet.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 2

The Department should develop a formal replacement strategy for its heavy equipment fleet.

**Entity's
response from
previous report**

The Department indicated in its response to the report that:

- the Department had a five (5) year strategy to reduce the average age of its heavy equipment fleet by investing approximately \$10 million per annum in acquisition of new units; and
 - in 2010-11, the Department would re-assess the age of its fleet and advance a revised strategy for continued capital investments in its fleet.
-

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department made any further efforts towards a more comprehensive replacement strategy for its heavy equipment fleet?

Response:

“Work has started on creating a more comprehensive replacement strategy for the Heavy Equipment Fleet. While not totally inclusive, this plan will factor in variables such as age, condition and need.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.

Recommendation No. 3

The Department should comply with the spirit of the Public Tender Act.

**Entity's
response from
previous report**

The Department indicated in its response to the report that:

- it did not agree with the Auditor General's view that the purchase of fifteen (15) used loaders violated the *Public Tender Act*; and
 - it accepted the lowest compliant bid, as per the *Public Tender Act*.
-

**Entity's
response to
standard
questions**

In 2009, the Department was asked three standard questions related to each recommendation. Their verbatim responses are as follows:

- Is the recommendation still applicable? Yes/No

Response:

“Recommendation is still applicable.”

- If still applicable, do you agree with original recommendation? Yes/No

Response:

“No – Department followed *Public Tender Act* in that the lowest compliant bid was accepted as dictated by *Public Tender Act*.”

We disagree with the Department's reasoning. The Department indicated that it followed the *Public Tender Act* in that the lowest compliant tender was accepted. We maintain that the Department did not comply with the spirit of the *Public Tender Act* when it purchased 15 used loaders in June 2006. The terms and conditions of the tender were so specific that only the eventual supplier would be in a position to be awarded the tender.

- If you agree with recommendation, has it been implemented? Yes/No

Response:

“No – No implementation has occurred - *Public Tender Act* has been adhered to.”

**Entity's
response to
specific
questions**

In addition to standard questions for each recommendation, the Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department made any similar purchases since our report? Are any similar purchases planned in the future?

Response:

“The Department has made no similar type purchases since the 2007 Report. At this time, there are no planned purchases of this type.”

**Our
conclusion**

Follow-up Not Required

The Department indicated that the recommendation is still applicable, but that they do not agree with the original recommendation.

We disagree with the Department's reasoning. The Department indicated that it followed the *Public Tender Act* in that the lowest compliant tender was accepted. We maintain that the Department did not comply with the spirit of the *Public Tender Act* when it purchased 15 used loaders in June 2006. The terms and conditions of the tender were so specific that only the eventual supplier would be in a position to be awarded the tender. Given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 4

The Department should perform a review of the EMS and/or consider alternate systems with a view to addressing current system deficiencies.

**Entity's
response from
previous report**

The Department indicated in its response to the report that:

- it acknowledged that deficiencies did exist within the Equipment Management System (EMS);
 - an internal task force, chaired by a senior director, had been mandated to review concerns over the EMS as well as other matters relating to the maintenance of the heavy equipment fleet; and
 - our findings would also be referred to the task force for appropriate action.
-

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Department addressed the deficiencies noted in the EMS either through enhancement of the existing system or through acquisition of an alternate system? If so, what changes have been made and are any future changes planned?

Response:

“The Department is working on the existing EMS System to ensure it will provide the required information for the proper management of the light and heavy equipment fleets.”

Question No. 2:

Has the Department made any changes to the EMS and/or other matters related to the maintenance of heavy equipment based upon the review by its internal task force? If so, what changes have been made and are there future changes planned?

**Equipment Maintenance Program
(2007 Annual Report, Part 2.18)**

Response:

“The changes being worked on at this time incorporate comments from the task force. The majority of those comments had to do with the reporting capacity of the system. These are being implemented.”

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; that they agree with the original recommendation; and that some action has been taken; however, the recommendation is not implemented.

We agree with this response.



Highlights

Highlights of an update on the review of Newfoundland and Labrador Housing Corporation's Rental Housing Program from January 2007 to December 2007.

Purpose of Our Review

In 2007, we performed a review of the Corporation's Rental Housing Program to assess the adequacy of the Corporation's rental property portfolio to meet the demand of its clientele and review the progress of the implementation of recommendations from the Housing Administration Study of March 2006.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.30

DEPARTMENT OF TRANSPORTATION AND WORKS

Newfoundland and Labrador Housing Corporation

Rental Housing Program

2007 Annual Report, Part 2.13

Recommendations

In February 2009, we contacted the Newfoundland and Labrador Housing Corporation (the Corporation) requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Corporation should develop a long-term housing accommodation plan.*
2. *The Corporation should continue with their efforts to address the recommendations from the Housing Administration Study.*
3. *The Corporation should ensure that Corporation staff comply with the policies resulting from the recommendations.*
4. *The Corporation should ensure all information in the Rental Management System is accurate.*

Areas of Disagreement

None.

Overall Conclusion

We conclude that no follow-up is required on this Report because the Corporation has implemented all of our recommendations.

Introduction In 2007, we performed a review of Newfoundland and Labrador Housing Corporation’s Rental Housing Program. We conducted our review to assess the adequacy of the Corporation’s rental property portfolio to meet the demand of its clientele and review the progress of the implementation of recommendations from the Housing Administration Study of March 2006.

What we found As a result of our review, we reached the following overall conclusions:

The Newfoundland and Labrador Housing Corporation (the Corporation) was unable to match the client demographics to its rental unit portfolio and as a result had an excess bedroom capacity in many of its units i.e. “over-housed.” The Corporation had 14,077 tenants occupying 6,163 rental units with a total of 16,041 available bedrooms. Therefore, even assuming that each tenant would occupy a separate bedroom, there was still an excess of 1,964 bedrooms. In fact, since 2002, the percentage of units with more bedrooms than occupants had increased from 35% to 40%.

In March 2006 the Corporation completed a Housing Administration Study (the Study) of its Rental Housing Program and identified 48 recommendations in 9 areas of the Program. The purpose of the Study was to identify and recommend efficient and effective use of the Corporation’s rental housing resources and improvements to client service. The Corporation identified 32 recommendations as priority to be implemented by 1 April 2007.

The Corporation did not fully meet its goal of maximizing the efficiency and effectiveness of its rental housing resources as evidenced by the fact that the Corporation did not comply with all of the 32 recommendations by 1 April 2007. Recommendations which were not complied with covered such areas as: inspections prior to a tenant vacating, inaccurate waitlists, no certified tax returns obtained from new tenants, delayed collection efforts, no agreements to pay arrears, termination notices not always issued after 45 days of arrears, the need for improved contact with tenants and inconsistent applicant assessment among regions.

Our follow-up In February 2009, we contacted the Corporation requesting an update as to any further progress made on the following recommendations that were included in our 2007 Report:

1. *The Corporation should develop a long-term housing accommodation plan.*
2. *The Corporation should continue with their efforts to address the recommendations from the Housing Administration Study.*

3. *The Corporation should ensure that Corporation staff comply with the policies resulting from the recommendations.*
4. *The Corporation should ensure all information in the Rental Management System is accurate.*

The updates provided by the Newfoundland and Labrador Housing Corporation in response to our request are contained in this Report.

**Overall
conclusion**

We conclude that no further follow-up is required on this Report because the Corporation has implemented all of our recommendations.

Recommendation No. 1

The Corporation should develop a long-term housing accommodation plan.

**Entity's
response from
previous report**

The Corporation indicated in its response to the 2007 Report that it was working on a Provincial Housing Strategy to be completed in the Fall of 2008, with a view to identifying specific actions to be taken to address issues such as demographic changes and housing demand. In the interim, NL Housing was pursuing other avenues including seeking an increase in its rent supplement program and other initiatives which would give the flexibility to better meet the changing demographics of its clientele.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the Provincial Housing Strategy been completed? If not, when is it expected to be completed?

Response:

“The Provincial Housing Strategy has been approved by Cabinet. It is anticipated that the strategy will be announced in 2009.”

Question No. 2:

If completed, what are the specific actions identified by the Strategy to address the needs of a changing demographic and housing demand? What is the expected timeline in implementing the specific actions? What milestones and measurements of success of the Strategy have been developed?

Response:

“The strategy will address demographic change and changing housing needs suited to households with fewer persons. The negotiations on the extension of the Affordable Housing Program recently announced as part of the Federal Government’s Stimulus package will be used to increase the stock of smaller homes. These negotiations are ongoing. Milestones and measures of success will include timelines for project approval and project completion and targeted number of new rental units.”

Question No. 3:

During the interim, what other avenues and initiatives has the Corporation pursued to achieve the flexibility required to meet its clientele’s needs?

Response:

“The avenues and initiatives that NLHC has pursued in 2008/09 include meeting housing need through the delivery of new rent supplement housing units and the continued partnership of NLHC with the private sector and the non-profit sector to develop additional affordable housing stock.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation’s actions have addressed our recommendation.

Recommendation No. 2

The Corporation should continue with their efforts to address the recommendations from the Housing Administration Study.

**Entity's
response from
previous report**

The Corporation indicated in its response to the 2007 Report that it was following up on the implementation of the study and would continue to monitor the progress. A number of recommendations could not be implemented until the new computer system was activated on April 1, 2008, but that the remaining 32 recommendations had been actioned.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

What is the status of implementation of the 13 recommendations identified by the Housing Administration Study that were placed on hold pending implementation of the new computer system in April 2008? If any have not been implemented, to what aspect of the program do they apply, and what is the expected date for implementation?

Response:

“We are pleased to report that 12 of the 13 outstanding recommendations have been implemented. The remaining outstanding recommendation is “The application form is to be available on-line.” Implementation of this recommendation is being worked on and the rental housing application will be available on-line by early Fall of 2009.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation's actions have addressed our recommendation.

Recommendation No. 3

The Corporation should ensure that Corporation staff comply with the policies resulting from the recommendations.

**Entity's
response from
previous report**

The Corporation indicated in its response to the 2007 Report that it was working towards updating existing policy and drafting new policies as related to the recommendations arising from the HAO study. It would continue to monitor the Rental Housing Program to ensure compliance with all policies.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

What is the status of the updating of policies as they relate to the Housing Administration Study? Are any policies not yet implemented?

Response:

“The Policies on Lease Administration and Heat Subsidy have been completed and implemented. Draft policies on Application Management, Tenant Selection have been submitted to the Executive Director of Programs Monitoring for final review and approval by the Executive Management Committee. The Account Administration Policy and the Rent Supplement Policy are being reviewed and updated. Policies will be implemented by early Summer 2009.”

Question No. 2:

Of the policies that have been finalized, are they now included in the Corporation's policy and procedures manual?

Response:

“Approved policies have been included in the Corporation’s Policy and Procedures manual.”

Question No. 3:

What procedures has the Corporation implemented to monitor compliance with its policies?

Response:

“NLHC has separated the Programs Division into two Divisions, Programs Delivery and Programs Monitoring. The responsibility of the Programs Monitoring Division is to conduct monitoring of all functions related to the administration of the Rental Housing Program. Monitoring protocols, processes and Policy are currently being developed and will be fully implemented by the Fall of 2009. In addition, the Quality Assurance Division has and will continue to conduct Quality Assurance reviews in this area.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation’s actions have addressed our recommendation.

Recommendation No. 4

The Corporation should ensure all information in the Rental Management System is accurate.

**Entity’s
response from
previous report**

The Corporation indicated in its response to the 2007 Report that it considered the issue of data integrity important and set up an internal senior management committee led by the Senior Executive Director to review and make recommendations to ensure that the data is accurate and reliable. The Corporation was in the process of implementing a new, fully integrated computer system, which should also aid in providing more accurate and reliable data.

**Entity's
response to
specific
questions**

The Corporation was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following sections.

Question No. 1:

Has the internal senior management committee completed its review of data integrity of the Rental Management System? If not, when is the expected completion date of its review? If the review is complete... [please provide] a status of implementation of the recommendations?

Response:

“The senior management committee directed the Quality Assurance Division to complete a review on a sample of tenant files to compare the information in the files with that recorded in the Rental Management System. This review was completed and four recommendations were made. Two of the recommendations have been implemented and the remaining two are being developed in conjunction with the development of Monitoring Protocols and Processes by the Programs Monitoring Division. Those will be implemented by the Fall of 2009.”

Question No. 2:

Has the implementation of the fully integrated computer system been completed? Is all data relevant to the rental units and the Corporation's tenants now maintained by the new system?

Response:

“The core systems have been implemented and the remaining add-on systems are being worked on. Relevant rental and applicant data is now maintained by the new system.”

Question No. 3:

What procedures have been implemented by the Corporation to ensure accuracy of data in the Rental Management System?

Response:

“NLHC has separated the Programs Division into two Divisions, Programs Delivery and Programs Monitoring. The responsibility of the Programs Monitoring Division is to conduct monitoring of all functions related to the administration of the Rental Housing Program. Monitoring protocols and processes are currently being developed and will be fully implemented by the Fall of 2009. In addition, the Quality Assurance Division has and will continue to conduct Quality Assurance reviews in this area.”

**Our
conclusion**

Follow-up Not Required

We agree that the Corporation’s actions have addressed our recommendation.

**Newfoundland and Labrador Housing Corporation Rental Housing Program
(2007 Annual Report, Part 2.13)**

**Newfoundland and Labrador Housing Corporation Rental Housing Program
(2007 Annual Report, Part 2.13)**



Highlights

Highlights of an update on the review of Provincial roads maintenance and construction covering the period 1 April 2001 to 31 March 2006.

Purpose of Our Review

In 2006, we performed a review of Provincial Roads Maintenance and Construction in the Department of Transportation and Works to assess:

- whether the Department does an adequate job in assessing and monitoring the physical condition of Provincial roads;
- the Highway Maintenance Management System (HMMS);
- the level of capital and maintenance funding and the impact of road maintenance on extending the maximum useful life of Provincial roads; and
- the process for determining future capital and maintenance requirements.

Why We Monitor Our Reports

Monitoring the implementation of our recommendations is an important part of our obligation to report to the House of Assembly. Our objective is to monitor and report the degree to which positive change has occurred as a result of the implementation of recommendations in our prior years' reports.

How We Assessed Each Entity

Our overall conclusions summarize our assessment of the update provided by the entity based on written responses provided by them, additional documentation sent to our Office and information resulting from validation meetings held with each entity.



To view the full report, refer to the web site www.gov.nl.ca/ag. For more information, call the Office of the Auditor General, 709-729-2700 or email adg@mail@gov.nl.ca

Update on Prior Years' Report Items, 2009

Chapter 2, Part 2.31

DEPARTMENT OF TRANSPORTATION AND WORKS

Provincial Roads Maintenance and Construction
2006 Annual Report, Part 2.16

Recommendations

In February 2009, we contacted the Department of Transportation and Works (the Department) requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

1. *The Department should establish a formal program for regularly assessing road conditions on a systematic and objective basis.*
2. *The Department should ensure that standards in its Highway Maintenance Management System (HMMS) used to estimate the cost of maintenance activities are reviewed and updated on a regular basis.*
3. *The Department should ensure activity reports are generated from the HMMS on an annual basis as required and used by regional officials to compare standard to actual activity.*
4. *The Department should develop a long-term capital plan to address the timing of capital funding and the priority of the work.*
5. *The Department should use a Province-wide risk assessment or priority basis for work to be performed when capital funding is provided.*

Areas of Disagreement

With regard to recommendation number 5, dealing with Province-wide risk assessment, we disagree with the Department's reasoning. The Department indicated that Province-wide risk assessments are carried out. Road and bridge conditions are assessed on a continual basis based on criteria identified previously. Projects are listed for consideration, subject to budget allocations. We maintain that risk assessments are carried out and work priorities are set on a regional basis rather than a Province-wide basis.

Overall Conclusion

Since our 2006 report, the Department has implemented all our recommendations except for using a Province-wide risk assessment or priority basis for work to be performed when capital funding is provided. We conclude that no follow-up is required on recommendation numbers 1, 2, 3 and 4. Given the Department's position on recommendation number 5, further follow-up by this Office would be of no benefit.

Introduction In 2006, we performed a review of Provincial Roads Maintenance and Construction in the Department of Transportation and Works (the Department). We conducted our audit to update our findings from our 1996 review and to assess:

- whether the Department does an adequate job in assessing and monitoring the physical condition of Provincial roads;
- the Highway Maintenance Management System (HMMS);
- the level of capital and maintenance funding and the impact of road maintenance on extending the maximum useful life of Provincial roads; and
- the process for determining future capital and maintenance requirements.

What we found In 1996, we concluded that the Department was not adequately managing the Province's road system. A decade later in 2006, we came to the same conclusion. As a result of our review, we reached the following overall conclusions:

No formal program to assess physical condition of Provincial road system

There were a number of scientific approaches available to assess the extent of wear of the roads such as road roughness, cracking, and rutting. However, the Department did not have a formal program in place for assessing the physical condition of the Province's road system.

No preventative or preservation maintenance

The Department did not focus its road maintenance expenditures on preventative or preservation analysis or maintenance activities.

The highway maintenance management system was not up to date

The Department's Highway Maintenance Management System (HMMS) was introduced in 1995. Although the system established Departmental unit and cost standards for each type of maintenance activity, the standards need to be updated and the system was not being used to effectively plan and monitor maintenance expenditures.

Funding and expenditures inadequate to complete road construction projects

The amount of capital funding approved in the annual budget was significantly less than the amount identified and requested by the Department to fund construction projects. Furthermore, the actual amounts spent were significantly less than the amount contained in the annual budget. The Department had estimated that \$287.9 million was required to bring the Province's road system up to at least a "good condition" rating.

Impact of expenditures on the Province's roads

Annual maintenance costs incurred over the last 6 years had remained relatively constant at approximately \$20.8 million. In addition, actual expenditures on road construction activities decreased significantly from 2001 to 2005. Given the increasing age of the Province's roads and the lack of additional funding for road maintenance, the condition of the Province's roads will deteriorate at an accelerated rate which will negatively impact their maximum useful life.

Impact of reduction in Federal funding

Federal cost-shared funding for road construction had decreased significantly over the last six years from \$52.3 million for 2001 to \$0.2 million for 2006. This had a significant impact on the level of expenditure for road construction.

No Province-wide risk assessment / No long-term plan in place

There was no Province-wide risk assessment or priority basis for what work was performed using the capital funding provided. There was no long-term plan in place to address the timing of capital funding and the priority of the work.

Our follow-up

In February 2009, we contacted the Department of Transportation and Works requesting an update as to any further progress made on the following recommendations that were included in our 2006 Report:

- 1. The Department should establish a formal program for regularly assessing road conditions on a systematic and objective basis.*
- 2. The Department should ensure that standards in its Highway Maintenance Management System (HMMS) used to estimate the cost of maintenance activities are reviewed and updated on a regular basis.*

Provincial Roads Maintenance and Construction (2006 Annual Report, Part 2.16)

3. *The Department should ensure activity reports are generated from the HMMS on an annual basis as required and used by regional officials to compare standard to actual activity.*
4. *The Department should develop a long-term capital plan to address the timing of capital funding and the priority of the work.*
5. *The Department should use a Province-wide risk assessment or priority basis for work to be performed when capital funding is provided.*

The updates provided by the Department in response to our request are contained in this Report.

Overall conclusion

Since our 2006 Report, the Department of Transportation and Works has implemented all our recommendations except for using a Province-wide risk assessment or priority basis for work to be performed when capital funding is provided. We conclude that no follow-up is required on recommendation numbers 1, 2, 3 and 4.

With regard to recommendation number 5, dealing with Province-wide risk assessment, we disagree with the Department's reasoning. The Department indicated that Province-wide risk assessments are carried out. Road and bridge conditions are assessed on a continual basis based on criteria identified previously. Projects are listed for consideration, subject to budget allocations. We maintain that risk assessments are carried out and work priorities are set on a regional basis rather than a Province-wide basis. Given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.

Recommendation No. 1

The Department should establish a formal program for regularly assessing road conditions on a systematic and objective basis.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that visual inspection by highly trained and experienced maintenance/engineering personnel is an effective and reliable means to assessing actual road conditions. In 2007, the Department would be acquiring a state-of-the-art Automatic Road Analyser (ARAN) vehicle which will produce valuable scientific data to supplement the visual inspection process.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has the Department acquired an Automatic Road Analyzer vehicle to supplement the visual inspection process? If not, when is it expected to be acquired?

Response:

“The Department of Transportation and Works acquired an Automatic Road Analyzer vehicle in September 2007.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 2

The Department should ensure that standards in its Highway Maintenance Management System (HMMS) used to estimate the cost of maintenance activities are reviewed and updated on a regular basis.

**Provincial Roads Maintenance and Construction
(2006 Annual Report, Part 2.16)**

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that it acknowledged that the Highway Maintenance Management System (HMMS) was not being effectively utilized, and had already initiated a process to update the standards and assess productivity against those standards.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Has a process been implemented to update the standards and assess productivity against those standards? If not, when is it expected to be implemented?

Response:

“Productivity standards were reviewed throughout entire Province on 10 core maintenance activities. This review resulted in changes in 4 of the 10 standards being adjusted. It is the intent to review on a rotational basis in the future.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 3

The Department should ensure activity reports are generated from the HMMS on an annual basis as required and used by regional officials to compare standard to actual activity.

**Entity's
response from
previous
report**

The Department indicated in its response to the 2006 Report that it acknowledged that the Highway Maintenance Management System (HMMS) was not being effectively utilized, and had already initiated a process to update the standards and assess productivity against those standards.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Are activity reports generated from the HMMS on an annual basis as required and used by regional officials to compare standard to actual activity.

Response:

“Activity Reports are generated and analyzed by regional staff.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 4

The Department should develop a long-term capital plan to address the timing of capital funding and the priority of the work.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that while funding for road maintenance and construction was seriously restrained for many years, there had been successive increases in the Provincial financial commitment in 2004, 2005 and 2006. The road maintenance and construction budget had been restored to a level which allows the Department to address its priorities over a reasonable period of time. Early budget approval in 2006, and again in 2007, allowed for early tendering, and virtually eliminated the carryover of projects to the subsequent year.

**Provincial Roads Maintenance and Construction
(2006 Annual Report, Part 2.16)**

The decline in gross expenditures on roads was due primarily to reductions in Federal Government contributions to road infrastructure. The Provincial financial contribution had increased significantly. Negotiations were also underway with the Federal Government for new cost-sharing arrangements. It was noted as well that in calculating expenditures, the Auditor General had excluded the Trans Labrador Highway which does represent a significant financial commitment by the Provincial Government.

**Entity's
response to
specific
questions**

The Department was asked to respond to specific questions unique to this recommendation. Their verbatim responses are contained in the following section.

Question No. 1:

Is a long-term plan in place to address capital funding and the priority of the work? If not, when is one expected to be put in place?

Response:

“Projects suggested for funding have been identified and prioritized by regional staff for roads/highways and by bridge office staff for structures.”

Question No. 2:

Have new cost-sharing arrangements been made with the Federal Government? If not, when are these arrangements expected to be finalized?

Response:

“The Building Canada Infrastructure Plan was signed on April 17, 2008.”

**Our
conclusion**

Follow-up Not Required

We agree that the Department's actions have addressed our recommendation.

Recommendation No. 5

The Department should use a Province-wide risk assessment or priority basis for work to be performed when capital funding is provided.

**Entity's
response from
previous report**

The Department indicated in its response to the 2006 Report that it was not accurate to suggest that there is no risk assessment or priority basis for the work performed with capital funding. Road conditions are assessed on a continuous basis, and road/bridge projects are selected for funding based on road/bridge condition, traffic volume, public safety, as well as other factors. The Department does have a long-term plan for bridge remediation and replacement, as well as a multi-year list of road projects for consideration, subject to budgetary allocations. The fact that capital requirement can be estimated at \$414.7 Million (2006) was evidence of long-term planning.

**Entity's
response to
specific
questions**

The Department was asked to respond to a specific question unique to this recommendation. Their verbatim response is contained in the following section.

Question No. 1:

Does the Department use a Province-wide risk assessment or priority basis for work to be performed when capital funding is provided? Will a Province-wide risk assessment be performed?

Response:

“The Department maintains its position that Province-wide risk assessments are carried out. Road and bridge conditions are assessed on a continual basis based on criteria identified previously. Projects are listed for consideration, subject to budget allocations.”

We disagree with the Department's reasoning in that risk assessments are carried out and work priorities are set on a regional basis rather than a Province-wide basis. The Department maintains its position that Province-wide risk assessments are carried out. Road and bridge conditions are assessed on a continual basis based on criteria identified previously. Projects are listed for consideration, subject to budget allocations.

**Our
conclusion**

Follow-up Required

The Department indicated that the recommendation is still applicable; however they do not agree with the original recommendation.

We disagree with the Department's reasoning in that risk assessments are carried out and work priorities are set on a regional basis rather than a Province-wide basis. The Department maintains its position that Province-wide risk assessments are carried out. Road and bridge conditions are assessed on a continual basis based on criteria identified previously. Projects are listed for consideration, subject to budget allocations. We maintain that risk assessments are carried out and work priorities are set on a regional basis rather than a Province-wide basis. Given the Department's position on this recommendation, further follow-up by this Office would be of no benefit.