REPORT OF THE AUDITOR GENERAL

To the House of Assembly

DETAILS OF UPDATES ON PRIOR YEARS' REPORT ITEMS

2011

Office of the Auditor General
Newfoundland and Labrador

The Auditor General reports to the House of Assembly on significant matters which result from the examinations of Government, its departments and agencies of the Crown. The Auditor General is also the independent auditor of the Province's financial statements and the financial statements of many agencies of the Crown and, as such, expresses an opinion as to the fair presentation of their financial statements.

VISION

The Office of the Auditor General is an independent Office of the Legislature which, through audit, adds credibility to information provided by Government to the House of Assembly so that the Members of the House of Assembly can hold Government accountable for the prudent use and management of public resources.

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CHAPTER 1

SUMMARY OF UPDATES ON PRIOR YEARS' REPORT ITEMS, 2011

Summary of Updates on Prior Years' Report Items, 2011

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 our 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 our 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). 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 Annual Reports. Monitoring the implementation of past recommendations commences approximately two years after a Report is published and continues until we are reasonably satisfied that issues have been adequately addressed or are no longer applicable. Our goal is that at least 80% of recommendations will be acted upon.

This year, included in this Report is a summary of our observations as to the progress made as of 31 March 2011 on the implementation of our recommendations contained in Annual Reports from 2004 through to 2009. As was the case last year, details on progress by various Government departments and Crown agencies relating to past recommendations are only available on our website at www.ag.gov.nl.ca/ag/priorupdates.htm.

Overall Conclusion

We are 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 249 recommendations monitored in this Report, 230 recommendations (92.4%) have been acted upon. As a result, our goal of having at least 80% of our recommendations acted upon has been met.

With regards to 19 recommendations (7.6%), officials at 8 entities had not taken action to implement the recommendations. I encourage these officials to revisit the recommendations and reconsider their position.

Summary of Updates on Prior Years' Report Items, 2011

Recommendations Identified for Monitoring

To compile this update on prior years' report items, we reviewed Annual Reports from 2004 to 2009 to determine, based on information provided by the entities in prior reports, which recommendations required further follow-up. Our review identified 249 recommendations from 46 report items which required further follow-up.

The distribution of the 249 recommendations, by entity, over each of the six years is outlined in Figure 1:

Figure 1

Distribution of Recommendations by Entity
2004 to 2009

Entity	2004	2005	2006	2007	2008	2009	Total
Executive Council		1				4	5
Department of Advanced Education and Skills				4	8		12
Department of Child, Youth and Family Services						16	16
Department of Education					2		2
Department of Environment and Conservation		1				21	22
Department of Fisheries and Aquaculture					10	15	25
Department of Health and Community Services						15	15
Department of Justice			4	11			15
Department of Municipal Affairs				1		25	26
Department of Natural Resources					9		9
Service NL	1		2	2	11	15	31
Department of Tourism, Culture and Recreation			1			12	13
Department of Transportation and Works				1		12	13
Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador					6		6
Eastern Regional Health Authority						10	10
Fire Commissioner's Office	2						2
Labrador-Grenfell Regional Health Authority				3			3
Memorial University of Newfoundland		3					3
Multi-Materials Stewardship Board (MMSB)					8		8
Newfoundland and Labrador Human Rights Commission					2		2
Newfoundland and Labrador Immigrant Investor Fund Limited						4	4
Newfoundland and Labrador Labour Relations Agency						7	7
Totals	**3**	**5**	**7**	**22**	**56**	**156**	**249**

As Figure 1 shows, the 249 recommendations related to 22 separate entities. The 249 recommendations were contained in the following Annual Reports:

- 156 recommendations in 15 report items from the 31 March 2009 Annual Report;
- 56 recommendations in 15 report items from the 31 March 2008 Annual Report;
- 22 recommendations in 8 report items from the 31 March 2007 Annual Report;
- 7 recommendations in 3 report items from the 31 March 2006 Annual Report;
- 5 recommendations in 3 report items from the 31 March 2005 Annual Report; and
- 3 recommendations in 2 report items from the 31 March 2004 Annual Report.

In March and April 2011, correspondence was sent to applicable Deputy Ministers and Chairs/Chief Executive Officers of Crown agencies requesting that they provide information related to the status of implementation for recommendations related to their entity. Based on our review and assessment of the information provided, we determined whether each recommendation had been acted upon (i.e. either fully implemented or partially implemented) or had no implementation action taken.

Overall Assessment

Our follow-up work consisted primarily of enquiries 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.

We found that, of the 249 recommendations:

- 230 (92.4%) have been acted upon as follows:
    - 127 - we agree that these recommendations have been fully implemented.
    - 76 - we agree that these recommendations have been partially implemented, and we will follow-up on these recommendations again next year.
    - 27 - we agree that these recommendations have been partially implemented; however, we will not follow-up on these recommendations again next year as entity officials agree with the recommendations and, based on action taken to date by the entities, we are reasonably satisfied that the issues have been adequately addressed.

- 19 (7.6%) had no implementation action taken as follows:

    - 8 - no implementation action taken and we will follow-up on these recommendations again next year (Part 2.25 recommendation number 7, Part 2.26 recommendation number 1, Part 2.26 recommendation number 2, Part 2.26 recommendation number 3, Part 2.27 recommendation number 4, Part 2.38 recommendation number 2, Part 2.42 recommendation number 4, and Part 2.43 recommendation number 14).

    - 4 - no implementation action taken; however, given the entities' position on these recommendations, further follow-up would be of no further benefit. Therefore, we will not follow-up on these recommendations (Part 2.31 recommendation number 1, Part 2.32 recommendation number 16, Part 2.43 recommendation number 8, and Part 2.43 recommendation number 9). Details on these recommendations are included in Figure 2.

    - 7 - we disagree with officials at the entities regarding their assessment that implementation action had been taken. Given the entities' position on 6 of these recommendations, further follow-up would be of no further benefit. Therefore, we will not follow-up on these recommendations (Part 2.16 recommendation number 1, Part 2.17 recommendation number 16, Part 2.17 recommendation number 17, Part 2.23 recommendation number 1, Part 2.23 recommendation number 3, and Part 2.27 recommendation number 3). Details on these 6 recommendations are included in Figure 2. For the remaining recommendation (Part 2.43 recommendation number 6), we will follow up again next year.

As a result, our goal of having at least 80% of our recommendations acted upon has been met.

No Implementation Action Taken

Our review indicated that there were 19 (7.6%) of the 249 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 our Office to follow-up on 10 recommendations because the entities clearly indicated that the recommendations will not be implemented. The remaining 9 will be followed-up by our Office because we are of the opinion that some action will take place.

No Further Follow-up Planned

Figure 2 contains details of the 10 recommendations (6 where we disagree with officials at the entities regarding their assessment that implementation action had been taken and 4 where there was no implementation action taken) where, based on the entity's position on the recommendation, further follow-up by this Office would be of no benefit. Therefore, no further follow-up is planned by our Office.

Figure 2

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

Entity	Description
Part 2.16 **Multi-Materials Stewardship Board (MMSB)** Newfoundland and Labrador Waste Management Trust Fund	**Recommendation Number 1** MMSB officials indicated that although it has taken the recommendation under advisement, the Chairperson and CEO remain to be the same person. However, we maintain that the Chairperson and CEO should not be held by the same person simultaneously.
Part 2.17 **Department of Environment and Conservation** Administration and Management of Crown Lands	**Recommendation Number 16** Department officials indicated that the Department enforces the protection of the shoreline reservation through the process of investigating complaints or through the course of other types of inspections. However, we maintain that the Department should formally plan and carry out inspections to determine the illegal occupation of shoreline Crown land. **Recommendation Number 17** Departmental officials indicated that compliance inspections are completed in conjunction with other field activities and are also addressed through sworn affidavits by the title holder in the renewal or grant pursuant to the lease application process. However, we maintain that the Department should develop a formal inspection program to ensure that the terms and conditions of leases and licenses are being complied with.
Part 2.23 **Eastern Regional Health Authority** Living Arrangements for Children and Youth	**Recommendation Number 1** Eastern Health officials indicated that the *Public Tender Act* does not always apply in acquiring certain services for children and youth in need. However, we maintain that there is often more than one supplier of these services and as such the services should be obtained through a competitive process where possible.

Summary of Updates on Prior Years' Report Items, 2011

Entity	Description
	Recommendation Number 3 Eastern Health officials have indicated that it is the responsibility of the Program Manager to authorize invoices for payment. However, we maintain that these invoices should be reviewed by the social worker responsible before these invoices are authorized for payment.
Part 2.27 **Department of Justice** Community Corrections	**Recommendation Number 3** Department officials indicated that the recommendation had been fully implemented. The Department has proceeded on the basis that these contracts were governed by the *Public Tender Act* and therefore; sole source under Paragraph 3(e) was obtained. We maintain that that the recommendation has not been fully implemented because the Department has not complied with Government's Consulting Guidelines for community-based programming contracts.
Part 2.31 **Department of Municipal Affairs** Employment Support Programs	**Recommendation Number 1** Departmental officials indicated that it continues to explore options for a set of indicators that will provide a reliable basis for an evidence-based allocation model. If the Department identifies a reasonable set of indicators, it will forward an allocation model to Government for consideration.
Part 2.32 **Department of Municipal Affairs** Canada-Newfoundland and Labrador Gas Tax Fund	**Recommendation Number 16** Department officials indicated that it will follow the recommendation in the future as the recommendation relates to future agreements.
Part 2.43 **Service NL** Inspection and Monitoring of Radiation Equipment	**Recommendation Number 8** Department officials indicated that it is of the opinion that although the *Radiation, Health and Safety Act* requires prior approval of radiation equipment before installation, it is not within their mandate to provide this approval.

Summary of Updates on Prior Years' Report Items, 2011

Entity	Description
	Recommendation Number 9 Department officials indicated that it is of the opinion that although the *Radiation, Health and Safety Act* requires prior approval of radiation equipment before installation, it is not within their mandate to provide this approval.

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.

WAYNE R. LOVEYS, CMA
Auditor General (A)

Summary of Updates on Prior Years' Report Items, 2011

CHAPTER 2

DETAILS OF UPDATES ON PRIOR YEARS' REPORT ITEMS

PART 2.1

INTRODUCTION

Introduction

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 Crown 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 Crown agencies. Each report item contains a written response from Government departments and Crown 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 Crown agencies decide whether they accept our recommendations and how our recommendations are to be implemented. 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 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 2009.

Introduction

Monitoring responses to reviews of Government departments and agencies

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 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.

How updates were compiled

To compile our update, 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, entity officials were asked to advise whether all recommendations had been fully implemented, not implemented or partially implemented. In addition, we requested details including an explanation outlining the current status, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Once a draft report was compiled, a copy was provided to the entity for their review. Further contact was made with entity officials 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 this contact. 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 further contact with an 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 enquiries and discussions with management officials at Government departments and Crown 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.

Introduction

Report includes an update on 46 reviews associated with 22 Government departments and Crown agencies

The rest of this chapter provides updates on a total of 249 recommendations from 46 reviews associated with 22 Government departments and Crown agencies as follows:

- 15 reviews from the 2009 Annual Report
- 15 reviews from the 2008 Annual Report
- 8 reviews from the 2007 Annual Report
- 3 reviews from the 2006 Annual Report
- 3 reviews from the 2005 Annual Report
- 2 reviews from the 2004 Annual Report

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

- Executive Council
- Department of Advanced Education and Skills
- Department of Child, Youth and Family Services
- Department of Education
- Department of Environment and Conservation
- Department of Fisheries and Aquaculture
- Department of Health and Community Services
- Department of Justice
- Department of Municipal Affairs
- Department of Natural Resources
- Service NL
- Department of Tourism, Culture and Recreation
- Department of Transportation and Works

- Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador
- Eastern Regional Health Authority
- Fire Commissioner's Office
- Labrador-Grenfell Regional Health Authority
- Memorial University of Newfoundland
- Multi-Materials Stewardship Board (MMSB)
- Newfoundland and Labrador Human Rights Commission
- Newfoundland and Labrador Immigrant Investor Fund Limited
- Newfoundland and Labrador Labour Relations Agency

Structure of each update report

For each of the reviews we monitored during 2011, we provide:

- 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; and
- our conclusion associated with each recommendation.

PART 2.2

EXECUTIVE COUNCIL

INCONSISTENT COMPENSATION PRACTICES

(2005 ANNUAL REPORT, PART 2.1; UPDATES: 2007, PART 3.2.3; 2009, PART 2.2; 2010, Part 2.2)

Inconsistent Compensation Practices
(2005 Annual Report, Part 2.1; Updates: 2007, Part 3.2.3; 2009, Part 2.2; 2010, Part 2.2)

Introduction

Our 2005 Annual Report included a review of inconsistent compensation practices that existed at Government entities including boards, agencies and commissions. We conducted our review to:

- summarize and highlight the inconsistent compensation practices that continued to exist 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 had 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 Newfoundland and Labrador Hydro had salary levels which were not consistent with those established for Government departments. Although Government and each of these entities used 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; Updates: 2007, Part 3.2.3; 2009, Part 2.2; 2010, Part 2.2)

Our follow-up

In our 2010 Update Report we concluded that the original 2005 recommendation resulting from our review had not been fully implemented.

In March 2011, we contacted the Public Service Secretariat requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

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

Information we requested

The Public Service Secretariat was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

We agree with the Public Service Secretariat's position that the recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

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

In 2010, the Public Service Secretariat informed us that:

- Final implementation of the recommendation was planned for the Spring of 2010.

- Entities often deviated from Government's compensation practices due to recruitment and retention challenges. Therefore prior to directing entities to ensure compliance with all compensation policies it was prudent for Government to develop a mechanism to help address recruitment and retention challenges. During 2009-10 Treasury Board approved a Market Adjustment Policy and Guidelines to Determine, Implement and Evaluate Market Adjustments. The Public Service Secretariat consulted with and received approval from Cabinet in February 2010 that this policy would apply to all agencies, boards, and commissions with the exception of NALCOR, Memorial University of Newfoundland and the Newfoundland and Labrador Research Council.

- Subsequent to this approval, the Public Service Secretariat completed its review of compensation practices in Government boards, commissions and agencies and developed a summary document of findings. This document would be presented to Cabinet in the spring of 2010 to seek direction as to whether or not all Government compensation practices should be applied to every Government entity.

- By way of information, Government's Summary Financial Statements for the year ended 31 March 2009 listed 45 distinct Government Reporting Entities. Reviewing numerous compensation practices for all these entities was a significant undertaking.

Entity's response to current request

In 2011, the Public Service Secretariat informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"During 2010 the Public Service Secretariat sought direction from Government as to whether Government's compensation policies should be applied to all Government entities. As a result, under the authority of section 8 of the Financial Administration Act, the Lieutenant Governor in Council granted Treasury Board the authority to apply any or all compensation policies to any or all agencies, boards and commissions with the exception of Nalcor, Memorial University and the Newfoundland and Labrador Research and Development Corporation.*

In 2011, the Public Services Secretariat will commence a review of all compensation policies and request Treasury Board's direction on revisions to each policy and whether or not the policy under review should apply to any or all agencies, boards and commissions."

Inconsistent Compensation Practices
(2005 Annual Report, Part 2.1; Updates: 2007, Part 3.2.3; 2009, Part 2.2; 2010, Part 2.2)

Our conclusion

Follow-Up Not Required

We agree with the Public Service Secretariat's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.3

EXECUTIVE COUNCIL

REVIEW OF OVERTIME

(2009 ANNUAL REPORT, PART 2.1)

Review of Overtime
(2009 Annual Report, Part 2.1)

Introduction

Our 2009 Annual Report included a review of Overtime at the Executive Council. We conducted our review to determine whether:

- the amount of overtime within Government had increased or declined since our last review; and
- Government departments had developed systems to monitor and control overtime**.**

What we found

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

- Overtime payments have increased by $7.4 million (55%) from $13.5 million in 2001 to $20.9 million in 2009. $2.9 million - Justice, $2.6 million - Transportation and Works, $0.3 million - Natural Resources, and $1.6 million - all other departments.
- Three departments accounted for $18.0 million (86%) of the total $20.9 million paid in 2009. $11.9 million (57%) - Transportation and Works, $4.5 million (21%) – Justice, and $1.6 million (8%) – Natural Resources.
- During our review, we identified many employees who received significant overtime payments during the period 1 April 2001 to 31 March 2009. In the 8 year period to 2009, 445 employees each received at least 50% in excess of their regular pay in overtime payments. In 2009, 40 employees received $30,000 or more each in overtime payments during the year totalling $1.8 million and accounted for 8.6% of all overtime paid during 2009. The Marine Services Division and the RNC had the most instances of significant overtime payments.
- The liability for TOIL has increased by $6.7 million (160%) from $4.2 million in 2001 to $10.9 million in 2009.
- Four departments accounted for $7.5 million (69%) of the total accumulated TOIL of $10.9 million as at 31 March 2009.
- During our review, we identified many employees who accumulated significant amounts of TOIL during the period 1 April 2001 to 31 March 2009.

- For the period 1 April 2001 to 31 March 2009 Government significantly exceeded its budget for overtime. During this period, Government budgeted $67.5 million, while the actual payments totalled $126.9 million. As this shows, actual payments exceeded budget by $59.4 million (88%).

- In 2009, Government exceeded its budget by $11.4 million (budget $9.5 million and actual payments of $20.9 million) or 120%. In 2008, Government exceeded its budget by $12.3 million (budget $8.6 million and actual payments of $20.9 million) or 143%. This shows that Government is not doing a good job in budgeting for overtime payments.

- Government does not have a system that either provides total overtime hours worked or how many of these overtime hours were taken in TOIL and, as a result, Government cannot readily determine its total overtime costs.

- Information necessary to complete our review was restricted from being accessed by staff. The reason for this restriction was disputed by the Office of the Auditor General.

Our follow-up

In March 2011, we contacted the Executive Council requesting an update as to what progress had been made on the 4 recommendations as of 31 March 2011. The recommendations are as follows:

1. *Government should consider implementing an information system that will adequately track all overtime costs.*

2. *Government should ensure that amounts budgeted for overtime payments adequately reflect operational requirements.*

3. *Government should review overtime incurred to ensure it is reasonable and to determine whether changes can be made to reduce the amount of overtime being incurred.*

4. *Government should consider implementing a policy which requires employees to either use or be paid TOIL within a specific period of time.*

Review of Overtime
(2009 Annual Report, Part 2.1)

Information we requested

The Executive Council was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Executive Council has made progress in addressing the recommendations from our 2009 Annual Report, 2 of the original 4 recommendations had only been partially implemented.

We agree with the Executive Council's position that recommendation numbers 1 and 4 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the Executive Council will need to:

- implement the new system for monitoring all overtime costs; and
- implement the new policy for TOIL (time off in lieu).

We agree with the Executive Council's position that recommendation numbers 2 and 3 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

Government should consider implementing an information system that will adequately track all overtime costs.

Review of Overtime
(2009 Annual Report, Part 2.1)

Entity's response from previous report

In 2009, the Executive Council informed us that effectively tracking costs related to human resource management is necessary and will support organizational efforts to improve the management of employees. As a result Government has recently completed a request for proposals (RFP) for an information management system for human resources. The results of this RFP will be submitted for budgetary consideration during this budget cycle. It should also be noted that the Department of Justice currently uses a system called Resource Utilization System at the RNC and at the Corrections Division. Departments have indicated that they are monitoring overtime on a regular basis. Hourly overtime information is available through the General Service Payroll System.

Entity's response to current request

In 2011, the Executive Council informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*there is no capability to provide such information from the current systems as there is not integration between the leave and payroll systems thus requiring significant manual effort. However, the Human Resource Management System (HRMS) project current in progress will have a capability to report on the overtime hours earned and the related employee's hourly rate to provide an electronic report on same. The public service payroll component is planned to be implemented in late 2012.*

Our conclusion

Follow-up Required

We agree with the Executive Council's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Executive Council will need to implement the new system for monitoring all overtime costs.

Recommendation No. 2

Government should ensure that amounts budgeted for overtime payments adequately reflect operational requirements.

Review of Overtime
(2009 Annual Report, Part 2.1)

Entity's response from previous report

In 2009, the Executive Council informed us that budgeted allocations for overtime are established during the budget process. However, it is impossible for the operations, such as the RNC, to budget for special operational assignments during the annual budget submission. Unplanned activities such as police investigations are often unknown during the budget process. Further, the public sector, like other organizations, competes for certain critical positions that are difficult to recruit. For example, finding replacement staff for Marine Engineers is difficult; however it is usually not an option to stop marine services. Thus, it is imperative to utilize existing resources, which results in overtime costs, in order for the vessel to remain in service.

Entity's response to current request

In 2011, the Executive Council informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"budgeted allocations for overtime are established during the budget process based on known information. Treasury Board Overtime Monitoring Guidelines state that, 'Departments will be held responsible for on-going budget monitoring of overtime. Departmental controllers are to ensure reports are provided to their deputy minister/equivalent for their review.'"*

Our conclusion

Follow-Up Not Required

We agree with the Executive Council position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

Government should review overtime incurred to ensure it is reasonable and to determine whether changes can be made to reduce the amount of overtime being incurred.

Entity's response from previous report

In 2009, the Executive Council informed us that through the budget monitoring process conducted by government departments, the Deputy Ministers are aware of the amount and reasons for overtime within their respective departments. The need for the overtime is, more often than not, due to requirements which come about on short notice. Departments are committed to managing their human resources appropriately and will continue to monitor the use of overtime and to identify and implement methods to alleviate overtime costs, where appropriate.

Entity's response to current request

In 2011, the Executive Council informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"the Treasury Board Overtime Monitoring Guidelines require departments to submit their monitoring reports to Treasury Board. Reports include comparison information by responsibility centre for the prior period and details for increases deemed significant. The Guidelines require paid overtime amounts to be reported on a semi-annual basis and were recently revised to require accrued overtime amounts to be reported on an annual basis. The Guidelines were recently updated per TBD 2011-001.*

In addition to the requirements per the Guidelines Treasury Board can and does request additional details concerning overtime when they deem it necessary. Most recently, in 2010 Treasury Board requested from departments identified with significant overtime expenditures, information on the departments' plans to address their overtime. Further to the receipt of this information, Treasury Board invited representatives from certain departments to appear before Treasury Board to provide details on their proposed plans. The information presented by the departments is currently under consideration.

Treasury Board also requests analysis and reviews of overtime information to be conducted, usually through the Office of the Comptroller General, which administers the Guidelines."

Our conclusion

Follow-Up Not Required

We agree with the Executive Council's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

Government should consider implementing a policy which requires employees to either use or be paid TOIL within a specific period of time.

Review of Overtime
(2009 Annual Report, Part 2.1)

Entity's response from previous report

In 2010, the Executive Council informed us that the PSS is currently revising the Overtime Policy as it relates to management and non-management/non-bargaining unit employees. The way in which overtime is banked has been identified as an issue that needs to be addressed. This recommendation will be encompassed into the policy review currently underway. For those employees employed under the conditions set forth in their respective collective agreement, the employer will continue to be guided by those provisions.

Entity's response to current request

In 2011, the Executive Council informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"the Public Service Secretariat has developed options for a revised Overtime policy for management and non-management/non-bargaining unit employees and these options, including options for limiting the use of TOIL, are now under review by Treasury Board. For those employees employed under the conditions set forth in their respective collective agreements, the employer will continue to be guided by those agreements."*

Our conclusion

Follow-Up Required

We agree with the Executive Council's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Executive Council will need to implement the new policy for TOIL.

Review of Overtime
(2009 Annual Report, Part 2.1)

PART 2.4

DEPARTMENT OF ADVANCED EDUCATION AND SKILLS

MEMORIAL UNIVERSITY OF NEWFOUNDLAND

(2005 ANNUAL REPORT, PART 2.3; UPDATES: 2007, PART 3.2.4; 2009, PART 2.6; 2010, PART 2.6)

Memorial University of Newfoundland
(2005 Annual Report, Part 2.3; Updates: 2007, Part 3.2.4; 2009, Part 2.6; 2010, Part 2.6)

Introduction

Our 2005 Annual Report included a review of Memorial University of Newfoundland (the University). We conducted our review 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 then Department of Education (now through the Department of Advanced Education and Skills), 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

In our 2010 Update Report we concluded that 3 of the original 26 recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the University requesting an update as to what progress had been made on the three recommendations as of 31 March 2011. The recommendations are as follows:

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

Information we requested

The University was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Memorial University of Newfoundland
(2005 Annual Report, Part 2.3; Updates: 2007, Part 3.2.4; 2009, Part 2.6; 2010, Part 2.6)

Overall conclusion

While Memorial University of Newfoundland has made progress in addressing the recommendations from our 2005 Annual Report, 3 of the original 26 recommendations had only been partially implemented.

We agree with the University's position that the recommendations have been partially implemented; however, we will not follow-up on these recommendations again next year as the University agrees with the recommendations and, based on action taken to date by the University, we are reasonably satisfied that the issues have been adequately addressed.

Recommendation No. 1

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

Entity's response from previous report

In 2010, the University informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*The Management Agreement with EDUTECH has received board approval and has been signed. The Childcare Centre Management Agreement has received board approval and has been signed. The Management Agreement for the Newfoundland Quarterly is on hold as discussions continue regarding its governance structure. Funding for the Canadian Centre for Fisheries Innovation (CCFI) was discontinued during 2009 and it appeared that the company would be wound up. Subsequently, funding was reinstated and operations are continuing. Should long term funding be secured, we will commence discussions regarding a formal SIE Agreement.*"

Entity's response to current request

In 2011, the University informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*The Management Agreement for the Newfoundland Quarterly is on hold as discussions continue regarding its governance structure. Funding for the Canadian Centre for Fisheries Innovation (CCFI) was reestablished and a draft management agreement is in progress.*"

Our conclusion

Follow-up Not Required

We agree with the University's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the University agrees with the recommendation and, based on action taken to date by the University, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 2

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

Entity's response from previous report

In 2010, the University informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"An Applicant Tracking System was not technically feasible therefore we implemented an alternative solution to allow on-line applications. A more comprehensive system will be utilized when a new HR system is implemented. Funding will be required in order to implement this recommendation."*

Entity's response to current request

In 2011, the University informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"In September 2010, a full-time Manager of Recruitment was hired on a two-year contract. Recruitment policies and processes are being reviewed for consistency and gaps. All processes are being reviewed and discussed with the entire HR Managers Team and in consultation with hiring departments. New or changed processes are being documented. In addition, recruitment conducts an audit on each competition file to ensure policies and processes have been followed and that the file is appropriately documented. We anticipate that the policy review will continue over the next year.*

The on-line application system as referenced in the previous update is still being utilized for external candidates. The HR replacement project has been funded and the official kick-off of the HR system replacement project occurred on March 15, 2011. A replacement for the existing temporary solution is currently being investigated as part of this project."

Our conclusion

Follow-up Not Required

We agree with the University's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the University agrees with the recommendation and, based on action taken to date by the University, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 3

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

In 2010, the University informed us that the recommendation had been partially implemented.

Furthermore, the University indicated that it "… *has reviewed its travel processes and agrees that purchasing an electronic travel claims process would address the concerns raised in the Auditor General's report. In December 2009, the vendor of the University's finance system released a version of their Travel Claims Processing Module which can accommodate Canadian taxes and rebates. 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 timeline for implementation depends upon the upgrading of the finance system to the latest version of the software which is anticipated to be completed by October 2011. Memorial would then purchase the Travel Claims Processing Module and the imaging software that corresponds with it, which would be required to obtain full benefits of the module. Funding will be required in order to implement this recommendation."*

Entity's response to current request

In 2011, the University informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Memorial has reviewed its travel processes and agrees that purchasing an electronic travel claims system would address the concerns raised in the Auditor General's report. The University has reviewed Travel and Expense Management software and Imaging Software that is available from its finance system vendor and that is currently being installed in several other Universities in Canada. 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 University would like to purchase this software and implement this recommendation. Funding will be required in order to implement this recommendation."*

Our conclusion

Follow-up Not Required

We agree with the University's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the University agrees with the recommendation and, based on action taken to date by the University, we are reasonably satisfied that the issue has been adequately addressed.

PART 2.5

DEPARTMENT OF ADVANCED EDUCATION AND SKILLS

DEBT REDUCTION GRANT PROGRAM

(2007 ANNUAL REPORT, PART 2.3; UPDATES: 2009, PART 2.3; 2010, PART 2.4)

Debt Reduction Grant Program
(2007 Annual Report, Part 2.3; Updates: 2009, Part 2.3; 2010, Part 2.4)

Introduction

Our 2007 Annual Report included a review of the Debt Reduction Grant Program at the Department of Education (the Department) which as of 28 October 2011 falls under the Department of Advanced Education and Skills. 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:

Not all eligible students are receiving debt reduction grants. The situation resulted from 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 student (47%) should have received grants totalling $52,591.
- Educational institutions did not provide requested 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 where 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.

Debt Reduction Grant Program
(2007 Annual Report, Part 2.3; Updates: 2009, Part 2.3; 2010, Part 2.4)

During our testing of debt reduction grants, we found errors in the information contained in the Student Aid Management Information System (SAMS).

Our follow-up

In our 2010 Update Report we concluded that one of the original five recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the one recommendation as of 31 March 2011. The recommendation is as follows:

1. *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.*

Information we requested

The Department was asked to advise whether the recommendation had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department of Education has made progress in addressing the recommendations from our 2007 Annual Report, one of the original five recommendations had only been partially implemented.

To fully implement this recommendation, the Department of Advanced Education and Skills will need to 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.

We agree with the Department of Education's position that recommendation number 1 has been partially implemented and, therefore, we will follow-up on this recommendation again next year.

Recommendation No. 1

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

In 2010, the Department informed us that a paper had been prepared for Government's consideration to address these amendments.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"Subsequent to the department's response to the Auditor General's 2010 Follow-Up Report, Cabinet direction through an Order in Council, to amend the Student Financial Assistance Regulations was received and the Office of the Legislative Counsel has now prepared amendments to these Regulations for consideration by the Department relating to the loan remission program.

It is anticipated that the Department of Education will be in a position to send final regulatory amendments to the Clerk of the Executive Council during spring 2011."

Our conclusion

Follow-up Required

We agree with the Department of Education's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Advanced Education and Skills will need to 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.

Debt Reduction Grant Program
(2007 Annual Report, Part 2.3; Updates: 2009, Part 2.3; 2010, Part 2.4)

PART 2.6

DEPARTMENT OF ADVANCED EDUCATION AND SKILLS

STUDENT LOAN PROGRAM - DESIGNATION OF EDUCATIONAL INSTITUTIONS

(2007 ANNUAL REPORT, PART 2.4; UPDATES: 2009, PART 2.4; 2010, PART 2.9)

Student Loan Program - Designation of Educational Institutions (2007 Annual Report, Part 2.4; Updates: 2009, Part 2.4; 2010, Part 2.9)

Introduction

Our 2007 Annual Report included a review of the Student Loan Program at the Department of Education (the Department) which as of 28 October 2011 falls under the Department of Advanced Education and Skills. We conducted our review to determine whether the Department:

- was monitoring educational institutions to assess whether they were complying with designation requirements under the *Student Financial Assistance Act* and *Regulations*;
- had adopted the National Designation Policy Framework relating to the student loan program; and
- had 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 could not demonstrate whether the Province had developed policies and procedures to ensure that educational institutions comply with all the designation requirements for the purposes of student loans under the *Student Financial Assistance Act* and *Regulations.* In particular, the Department did not monitor institutions to determine whether acceptable default prevention plans were in place.

Furthermore, the Province did not adopt 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 did not develop the policies and procedures or enter into formal agreements with educational institutions as outlined under the Framework. The agreements, which were required to be in place to maintain Federal student loan program designation, should outline 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 60% Federal portion of a total student loan. Educational institutions at particular risk would be 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 our 2010 Update Report we concluded that none of the original three recommendations resulting from our review had been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the three recommendations as of 31 March 2011. The recommendations are as follows:

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.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department of Education has made progress in addressing the recommendations from our 2007 Annual Report, two of the original three recommendations had only been partially implemented.

To fully implement the recommendations, the Department of Advanced Education and Skills will need to:

- complete formal agreements with educational institutions as outlined under the Framework, and
- assist and monitor educational institutions in an effort to improve student loan repayment performance.

We agree with the Department of Education's position that recommendation numbers 2 and 3 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department of Education's position that recommendation number 1 has been fully implemented and, therefore, no further follow-up is 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

In 2010, the Department informed us that it was in the process of reviewing its existing policies and procedures with respect to designation.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"Policies, procedures, formal agreements, default prevention and improvement planning guides (including compliance procedures) have been developed."

Our conclusion

Follow-Up Not Required

We agree with the Department of Education's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

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

In 2010, the Department informed us that National efforts were underway in relation to the development of indicators, the Province was assisting in those efforts, and final indicator development was pending.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The National Designation Policy Framework has been adopted and institutions were formally notified by way of correspondence dated April 18, 2011.

Socio-economic factors will be part of the measurement criteria, and policies and procedures have been developed. The formal agreements with educational institutions have been prepared and the institutions are required to return them to the department by August 1, 2011 (the beginning of the next academic year).”

Our conclusion

Follow-up Required

We agree with the Department of Education’s position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Advanced Education and Skills will need to complete formal agreements with educational institutions as outlined under the Framework.

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

In 2010, the Department informed us that:

- annual letters were provided to educational institutions based on their repayment performance;
- educational institutions were notified when their performance was posted on the Federal website; and
- it was reviewing its designation policies and procedures with respect to institutional repayment improvement.

Student Loan Program - Designation of Educational Institutions (2007 Annual Report, Part 2.4; Updates: 2009, Part 2.4; 2010, Part 2.9)

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"As per the department's 2010 update on this item, loan repayment information is supplied to institutions annually. Now that the framework has been formally adopted, the department will commence activities during the 2011-12 academic year to assist and monitor institutions in an effort to improve student loan repayment performance."

Our conclusion

Follow-up Required

We agree with the Department of Education's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Advanced Education and Skills will need to assist and monitor educational institutions in an effort to improve student loan repayment performance.

PART 2.7

DEPARTMENT OF ADVANCED EDUCATION AND SKILLS

PROVINCIAL NOMINEE PROGRAM

(2008 ANNUAL REPORT, PART 2.12; UPDATE: 2010, PART 2.23)

Provincial Nominee Program
(2008 Annual Report, Part 2.12; Update: 2010, Part 2.23)

Introduction

Our 2008 Annual Report included a review of the Provincial Nominee Program at the former Department of Human Resources, Labour and Employment (the Department) which as of 28 October 2011 falls under the Department of Advanced Education and Skills. We conducted our review to determine whether the Department was monitoring the Provincial Nominee Program (PNP) to determine whether the PNP goals were being met; complying with internal policies and procedures, and with the provisions of the Canada-Newfoundland and Labrador Agreement on Provincial Nominees; and maintaining adequate records of all nominee files and certificates.

What we found

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

In 1999, the Province entered into the Canada-Newfoundland and Labrador Agreement on Provincial Nominees (Agreement) and created the Provincial Nominee Program (PNP). The purpose of the PNP is to nominate immigrants who can contribute to the economic and social goals of the Province. In 2007, the Province announced in its immigration strategy that it intended to significantly increase the attraction and retention of immigrants to the Province. The PNP is administered by the Department of Advanced Education and Skills (formerly the Department of Human Resources, Labour and Employment).

The responsibility of the Province with regards to the PNP is to process applications from potential nominees, ensure that the applicants meet the criteria established by the Federal and Provincial PNP requirements and monitor the status of the nominated applicants and immigrants. We would expect the Department to monitor the investment money from nominees to determine whether the planned business venture outlined in the business plans and accompanying agreements between the nominee and the local business are realized.

Our review indicated that Government is unable to determine whether the PNP has achieved its intended results and there were significant issues with regards to how the PNP was administered and monitored. Details are as follows:

- The Province does not know how many of the 530 individuals it nominated moved to Newfoundland and Labrador. As a result, it is not possible for the Province to make any conclusion about whether the PNP achieved its goals of attracting and retaining immigrants to the Province. Landing reports provided by Citizenship and Immigration Canada (CIC) identified that 314 of the Province's 530 nominees landed in Canada. Of these 314, only 214 indicated that they intended to settle in Newfoundland and Labrador. Even though 214 nominees

indicated that they intended to settle in the Province, the Department does not follow up on their status and location after they enter Canada to determine whether the nominees actually settled here.

- The Department does not know what, if anything, local businesses did with the investment provided by the nominee. From 1999 to November 2008, a total of 312 nominees either invested or indicated that they intended to invest a total of $72.2 million in the local business community.

  There were very few, if any, requirements on local businesses with regards to how monies they received were to be used. For example:

  - one business venture received approximately $39.8 million from 150 nominees who contributed $265,000 each. Although each nominee was to receive one share in the business venture which could be redeemed for an upscale chalet, the Department has no information as to how many nominees redeemed their share or how many ultimately received the chalet as outlined in the contract with the business venture.

  - one business venture received approximately $9.8 million from 49 nominees who contributed $200,000 each. Although the money was intended to establish an Internet business website *"to educate the investing public"*, the Department has no information about the status of the intended website.

- As of April 2008, the Province had $1.385 million held in trust related to 24 nominees. Of these 24, CIC's monthly report indicated that 19 landed in Canada and, of these 19, only 4 indicated that they intended to settle in Newfoundland and Labrador. Other than the information provided by CIC, the Province does not know the status of the 24 nominees and whether or not a refund is required. The Department has only recently started to investigate the status of nominees in relation to the required final disposition of these trust funds.

- Contrary to the requirements of the PNP, not all required documentation was on file to support the potential nominee assessment decisions. For example, we identified instances where there were no copies of passports, no net worth statements, no assessment forms and/or no letters from a bank indicating sufficient funds. We also identified instances where not all documentation was date stamped or had the file number noted and not all assessment forms were appropriately signed.

- The electronic database was incomplete in that not all potential nominee files were recorded and not all required applicant information was always entered into the database. As a result, the database does not readily provide useful PNP information for management purposes.

Our follow-up

In our 2010 Update Report we concluded that two of the original three recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the two recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should meet its goals for retention of immigrants by increasing its efforts to track nominees once they land in the Province.*

2. *The Department should improve the documentation on file in its database and certificate log to assist it in tracking nominations of individuals in the PNP.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plans and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the former Department of Human Resources, Labour and Employment has made progress in addressing the recommendations from our 2008 Annual Report, one of the original three recommendations had only been partially implemented.

We agree with the Department's position that recommendation number 2 has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the Department's position that recommendation number 1 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should meet its goals for retention of immigrants by increasing its efforts to track nominees once they land in the Province.

Entity's response from previous report

In 2010, the former Department of Human Resources, Labour and Employment informed us that:

- they intend to undertake a retention study in 2010. Follow up will be conducted with each principal applicant who has been nominated under the PNP since April 2007;

- in spring 2009, the Office of Immigration and Multiculturalism (OIM) implemented a retention follow-up policy whereby nominees are tracked by Settlement Officers over a three year period. This follow up is intended to not only determine retention but to discuss settlement and integration issues that nominees have with a view to addressing these issues to help ensure the nominees remain in the Province; and

- they continue to monitor the files of clients in the Entrepreneur category of the PNP.

Entity's response to current request

In 2011, the former Department of Human Resources, Labour and Employment informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"In 2010 the OIM conducted a retention study. During November 2010 a survey was sent to each principal applicant who has been nominated under the PNP since April 2007 and who had received permanent resident status (after which they have full mobility rights in Canada). The results of the survey showed an 81 % retention rate.

In addition, the OIM continues to implement its retention follow-up policy whereby nominees are tracked by Settlement Officers located in St. John's, Corner Brook, Happy Valley-Goose Bay, and Grand Falls-Windsor.

The OIM continues to monitor the files of the clients in the Entrepreneur Category of the PNP."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Human Resources, Labour and Employment's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department should improve the documentation on file in its database and certificate log to assist it in tracking nominations of individuals in the PNP.

Entity's response from previous report

In 2010, the former Department of Human Resources, Labour and Employment informed us that:

- in July 2009, they met with the Office of the Chief Information Officer (OCIO) to discuss the plan to revise existing fields in the database and the enhancement of the existing reporting functions. Revisions have been made to the PNP database which will allow for more detailed data collection and improved file management. These changes are currently in testing mode and are expected to "go live" by April 2010;

- they are currently working on a proposal to submit to the OCIO that will address the enhancements required to enable the database to produce more efficient reporting and monitoring in support of retention and monitoring; and

- the nomination certificate log (word document) is continually updated by individual officers who issue the certificates. In addition, hard copies of the certificates are placed in binders and are organized sequentially by number and by year of issue.

Entity's response to current request

In 2011, the former Department of Human Resources, Labour and Employment informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

- *"The revisions to database fields were completed on schedule and are now in operation;*

- *The proposal for enhancements to the database has been submitted to the Office of the Chief Information Officer. The Department of Human Resources, Labour and Employment has this project listed as a priority for the current fiscal year. Currently, the Department is waiting for confirmation from the OCIO as to whether or not the project will be funded and undertaken in 2011-2012; and*

- *The nomination certificate log continues to be updated weekly and hard copies of certificates placed in binders and organized by number and year of issue."*

Our conclusion

Follow-up Not Required

We agree with the former Department of Human Resources, Labour and Employment's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

PART 2.8

DEPARTMENT OF ADVANCED EDUCATION AND SKILLS

MONITORING PRIVATE TRAINING INSTITUTIONS

(2008 ANNUAL REPORT, PART 2.5; UPDATE: 2010, PART 2.8)

Monitoring Private Training Institutions
(2008 Annual Report, Part 2.5; Update: 2010, Part 2.8)

Introduction

Our 2008 Annual Report included a review of Monitoring Private Training Institutions at the Department of Education (the Department) which as of 28 October 2011 falls under the Department of Advanced Education and Skills. We conducted our review to assess the systems and practices in place at the Department and to determine whether the Department was monitoring private training institutions for compliance with the requirements of the *Private Training Institutions Act* and *Regulations*.

What we found

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

The Department and many of the private training institutions were not in full compliance with the requirements of the *Private Training Institutions Act* and *Regulations*. During our review we identified issues such as: complete registration renewal applications were not always submitted by the required deadline, audited financial statements were not submitted within the required three month timeframe, and instructors did not always have their training requirements completed. The Department did not perform any three year program reviews and was not always performing the required annual compliance visits. Details are outlined as follows:

Three Year Program Reviews

Contrary to the *Regulations*, the Department had never completed a three year review of the programs offered by any private training institution. The three year program review is designed to evaluate a program offered by a private training institution on criteria such as needs assessment, admission standards, curriculum content, program duration and graduate certification.

Annual Compliance Visits

Contrary to Departmental policy, annual compliance visits were not performed on all campuses. In 2007, 6 of the 26 campuses with students did not have a compliance visit completed. As a result, the Department did not compile information on the nine areas (e.g. instructional staff, programs, student records) required during compliance visits to determine compliance with the *Act*, *Regulations* and Departmental policies. In addition, contrary to Departmental policy, a report outlining the results of each annual compliance visit was not always provided to the campus.

Instructor Approval

Not all instructors at the private training institutions had been approved by the Department as required under the *Regulations*. From a review of the 2007 registration renewal applications, we identified that at least 8 instructors in 6

institutions were teaching courses even though the instructors had not been approved by the Department.

Not all approved instructors had completed all of the courses necessary to receive the required Post Secondary Instructor's Certificate. As at March 2008, out of 50 files reviewed, there were 15 instructors in 10 institutions who had not completed the course requirements within the required timeframe established by the Department. In fact, 12 of the 15 instructors had not completed any courses since being approved.

Registration Renewal of Private Training Institutions

Contrary to the *Act*, which requires registration renewal applications to be submitted on or before December 31 each year, the Department's Operations Manual (which is provided to all institutions) indicates that the renewal applications were to be submitted on or before January 31 of the following year. As a result, while institutions may be in compliance with requirements established by the Department, they could still be in contravention of the requirements of the *Act*.

Not all institutions submitted complete registration renewal information within the required deadline. In 2008 there were 12 institutions (2007 – 19 institutions) which did not provide all the registration renewal information by the January 31 deadline established by the Department. With regards to the December 31 deadline in the *Act*, in 2008, there were 24 institutions (2007 – 23 institutions) which did not meet the deadline. As a result, many private training institutions in the Province were operating in contravention of the *Act* during a portion of the 2008 and 2007 calendar years because they did not have their completed registration renewal information submitted on or before 31 December 2007 or 31 December 2006 respectively.

Audited Financial Statements

Not all private training institutions were providing audited financial statements three calendar months after their respective year-end dates as required under the *Regulations*. In 2007 only 2 of the 25 private training institutions (2006 – 1 of 25) submitted their financial statements within three months of their year end. In 2007, the private training institutions were, on average, 75 days past the required date of filing their audited financial statements. In 2006, the private training institutions were, on average, 126 days past the required date of filing their audited financial statements.

Security Bonds and Train Out Fund

The Department had not instructed private training institutions to have their auditors provide net tuition revenue on the audited financial statements. The net tuition revenue amount is required in order to calculate the value of a bond required by an institution and the amount that the institution has to contribute to the Train Out Fund. Although some financial statements included this information, when it was not included, the registration renewal forms had to be used. As a result, when registration renewal forms had to be used, the information used in the calculation was not subject to any third party verification.

Our follow-up

In our 2010 Update Report we concluded that 6 of the original 10 recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the 6 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should complete three year reviews of the programs offered by private training institutions.*

2. *The Department should perform annual compliance visits on all campuses.*

3. *The Department should provide campuses with a written report outlining the results of each annual compliance visit.*

4. *The Department should ask instructors to withdraw from their teaching roles if they fail to complete the courses needed to obtain the Post Secondary Instructor's Certificate within the deadline specified.*

5. *The Department should comply with the* Act *and require institutions to submit complete registration renewal applications on or before December 31 each year.*

6. *The Department should ensure that it receives audited financial statements from each private training institution within three months after the institution's deadline, as outlined in the* Regulations.

Monitoring Private Training Institutions
(2008 Annual Report, Part 2.5; Update: 2010, Part 2.8)

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department of Education has made progress in addressing the recommendations from our 2008 Annual Report, 4 of the original 10 recommendations had only been partially implemented.

To fully implement the recommendations, the Department of Advanced Education and Skills will need to:

- complete three year reviews of the programs offered by private training institutions;
- continue to require institutions to submit complete registration renewal applications on or before December 31 each year or consider the need for this requirement during the next revision of the *Act*; and
- continue its work to ensure audited financial statements are submitted by their due date.

We agree with the Department of Education's position that the recommendation numbers 1, 5 and 6 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department of Education's position that the recommendation number 2 has been partially implemented; however, we will not follow up on this recommendation again next year as the Department of Education agrees with the recommendation and, based on actions taken to date by the Department of Education, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the Department of Education's position that the recommendation numbers 3 and 4 have now been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should complete three year reviews of the programs offered by private training institutions.

Entity's response from previous report

In 2010, the Department informed us that a work plan to complete the three year reviews had been developed. Reviews would begin in the 2010-2011 fiscal year.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"*The Work-Plan was developed. As part of this plan, the division had intended to establish Industry Advisory Committees to ensure programming meets industry need. However, the process to establish these committees has taken longer than anticipated. As such, the reviews did not commence in 2010-11. The division anticipates the committees will be established in mid-2011-12 with the reviews commencing by late 2011-12 or early 2012-13. (It should be noted that as part of the division's core business, approximately 10 percent of programs are reviewed annually as changes and modifications to programs are submitted by the private training institutions.)*."

Our conclusion

Follow-up Required

We agree with the Department of Education's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Advanced Education and Skills will need to complete three year reviews of the programs offered by private training institutions.

Recommendation No. 2

The Department should perform annual compliance visits on all campuses.

Entity's response from previous report

In 2010, the Department informed us that of the 25 registered private training institutions, 22 compliance visits were conducted, 2 institutions did not have programming requiring compliance visits, and one visit was postponed and would be conducted in April 2010.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"*All compliance visits for 2009-10 were completed by April 2010. Throughout 2010-11, visits at institutions were completed. While all visits were not conduced prior to March 31, 2011, all were scheduled. The division anticipates that these visits will be finalized by June 30, 2011*."

Our conclusion

Follow-up Not Required

We agree with the Department of Education's position that this recommendation has been partially implemented; however, we will not follow up on this recommendation again next year as the Department of Education agrees with the recommendation and, based on actions taken to date by the Department of Education, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 3

The Department should provide campuses with a written report outlining the results of each annual compliance visit.

Entity's response from previous report

In 2010, the Department informed us that fifteen reports had been reviewed and sent to the institutions. Eight reports were in progress. The Department also informed us that the tracking system was being utilized and was working well.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"*All compliance visit reports for 2009-10 were completed and have been provided to the respective institutions. The compliance visits for 2010-11 are still in progress (but will be finalized during the first quarter of 2011-12) and the reports are being provided as soon as possible once the visits are conduced and they are finalized."*

Our conclusion

Follow-Up Not Required

We agree with the Department of Education's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Department should ask instructors to withdraw from their teaching roles if they fail to complete the courses needed to obtain the Post Secondary Instructor's Certificate within the deadline specified.

Entity's response from previous report

In 2010, the Department informed us that for instructors who did not meet the assigned completion date for post-secondary instructor certificate courses, a conditional approval process had been implemented with the 2009 compliance audit. Instructors who fail to comply with the conditions would be de-registered during a subsequent compliance visit and Institutions had been informed accordingly.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Those instructors who did not comply with the conditions (outlined in the 2010 response) were de-registered by fall 2010. This ongoing process is now in place and the department will continue to identify these instructors, who fail to comply with the conditions to obtain their post-secondary instructors certificate, during compliance visits. Those identified instructors are given conditional approval and, provided they meet the requirements within a specified timeline, they receive full certification as an instructor. Those who do not are de-registered."

Our conclusion

Follow-Up Not Required

We agree with the Department of Education's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Department should comply with the Act *and require institutions to submit complete registration renewal applications on or before December 31 each year.*

Entity's response from previous report

In 2010, the Department informed us that for the 2009 re-registration, the Department required that documentation be submitted by December 31, 2008. The Department recognized that there were challenges with respect to getting complete information by December 31 of each year, especially with respect to the issue of student withdraws. This requirement would be considered during the next revision of the *Act* and in the meantime the Department was looking at options to address the challenges around full compliance by that date.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The department still recognizes challenges with the December 31 deadline. It is the department's intention to modify this deadline during the next revision of the Private Training Institutions Act and Regulations.

However, it should be noted that while only three complete registration renewal applications were received on or before December 31, 2010, 19 were received before January 31, 2011 and a further two were received before February 28, 2011. The remaining institution indicated that it did not wish to renew its registration and it no longer operates as a private training institution."

Our conclusion

Follow-up Required

We agree with the Department of Education's position that this recommendation had been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Advanced Education and Skills will need to continue to require institutions to submit complete registration renewal applications on or before December 31 each year or consider the need for this requirement during the next revision of the *Act.*

Recommendation No. 6

The Department should ensure that it receives audited financial statements from each private training institution within three months after the institution's deadline, as outlined in the Regulations.

Entity's response from previous report

In 2010, the Department informed us that it was continuing its work to ensure audited financial statements were submitted by their due date by holding processing of instructor and program approvals for institutions that were not in compliance.

Monitoring Private Training Institutions
(2008 Annual Report, Part 2.5; Update: 2010, Part 2.8)

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The department continues its efforts however, given the nature of these private businesses and their audit functions, select cases remain a challenge. Compliance measures are being considered and may be incorporated into a revised Private Training Institutions Act and Regulations."

Our conclusion

Follow-up Required

We agree with the Department of Education's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Advanced Education and Skills will need to continue its work to ensure audited financial statements are submitted by their due date.

PART 2.9

DEPARTMENT OF CHILD, YOUTH AND FAMILY SERVICES

CHILD CARE SERVICES

(2009 ANNUAL REPORT, PART 2.2)

Child Care Services
(2009 Annual Report, Part 2.2)

Introduction

Our 2009 Annual Report included a review of Child Care Services at the Department of Health and Community Services (the Department). Responsibility was assumed by the new Department of Child, Youth and Family Services during 2009. We conducted our review to determine whether the Department had adequate systems and processes such that:

- applicants approved for child care licences met the application requirements of the *Child Care Services Act* and *Regulations;* and
- licensees were monitored to assess their compliance with the *Child Care Services Act* and *Regulations*.

What we found

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

Under the *Child Care Services Act* (the *Act*), the four Regional Health Authorities (RHAs) were responsible for the day-to-day administration of the provisions of the legislation within each region with respect to the licensing and monitoring of child care services in the region. The Department of Health and Community Services had overall responsibility for child care services in the Province.

As at January 2009, there were 170 licensed child care centres throughout the Province and 68 family child care homes. Of the 68 family child care homes, 57 were affiliated with 2 agencies (Eastern and Western), and 11 were in regions without agencies or directly licensed by the RHAs. In total there were 6,032 available spaces for child care, comprised of 5,621 at child care centres and 411 at family child care homes.

Although the Department and the four RHAs have made progress in implementing our previous recommendations relating to licensing and monitoring of child care services in the Province, our current review indicated that there were still issues within the child care services as follows:

Monitoring - Child Care Centres

Policies at the Department require that RHA officials make monthly visits where possible to child care service providers and formally evaluate each provider at least annually or more frequently if the situation requires. Our review of 34 files from the four RHAs identified the following deficiencies:

Operators

In 14 files there were 28 instances relating to child care centre operators where files did not contain the required documentation or evidence that the requirements were waived by the Regional Director as follows:

- 1 - no evidence that the application had been approved;
- 7 - no evidence of a current Level II Certification for Child Care Services;
- 6 - no evidence of a current first aid certification;
- 9 - no evidence of a current Child Protection Records Check; and
- 5 - no evidence of a current Certificate of Conduct.

Staff

In 13 files there were 30 instances relating to 79 staff at child care centres where files did not contain the required documentation or evidence that the requirements were waived by the Regional Director as follows:

- 5 - no evidence of a current Early Childhood Education Certification for Child Care Services;
- 7 - no evidence of a current first aid certification;
- 7 - no evidence of a current Child Protection Records Check;
- 8 - no evidence of a current Certificate of Conduct; and
- 3 - no evidence of a record of immunization.

Two additional files did not contain a staff summary document which is used to identify staff and monitor all of the required documentation along with expiry dates.

Inspections

There were 8 instances where there was no evidence that the required annual inspections by RHA officials had been performed. The annual inspections were not performed as follows: 3 - Eastern (Urban); 2 - Central; and 3 - Western.

Only 1 RHA (Central) had a preprinted form detailing all of the areas that were required to be checked during the monthly visits. The other 3 RHAs used a preprinted form which only had a section for comments and actions required. As a result, the 3 RHAs could not readily demonstrate that all areas were checked as required.

Violations

In 11 files there were 14 instances where RHA officials did not issue violation orders even though there was a non-compliance with the *Act* and *Regulations*. These instances included such things as:

- in 2 instances an employee had been on site without a current Child Protection Records Check;
- a recurring issue identified during three visits to a centre over a four month period, where there were limited or no files maintained for children at the centre;
- a homeroom lead staff did not have the required Level I Certification for Child Care Services;
- equipment and materials were blocking a centre's emergency exit;
- at one centre a medicine cabinet was not locked;
- no documentation on file for substitute staff working at the centre; and
- at one centre children were being taken for walks without first aid kit/supplies.

Licensing of Child Care Centres

Contrary to the *Act* and *Regulations*, child care centres did not always submit, within the timeframes prescribed, applications and documentation specified for licensing and continuing operation. Our review of 34 files from the four RHAs identified the following deficiencies:

- in 15 files the centres applied for licence renewal after the 60 day minimum notice prior to licence expiry. Centres applied for licence renewal from 2 days to 58 days prior to licence expiry;

- in 9 files there was no evidence on file during our review to show evidence of current liability insurance; and

- in 1 file, there was no evidence of follow-up during the licensing process to determine whether the centre met the condition of having all medications in a locked container.

Family Child Care Homes

The *Act* and *Regulations* outline a number of application requirements relating to the issuance of a licence to operate a family child care home.

Our Review of 13 files for family child care homes for three RHAs (Labrador- Grenfell had no family child care homes) identified the following issues with regards to family child care homes affiliated with licensed child care agencies:

- in 1 file there was no evidence of an application for renewal of approval; and

- in 6 files the facilities submitted renewal applications dated after the date of expiration on the prior approval. In these cases, the facilities operated without approval for between 2 days and 28 days.

Our follow-up

In April 2011, we contacted the Department of Child, Youth and Family Services requesting an update as to what progress had been made on the original 7 recommendations resulting from our review. The recommendations are as follows:

1. *The Department should ensure that child care centres submit all required documentation and applications specified for the licensing and relicensing processes within the timeline prescribed by the* Act *and* Regulations.

2. *The Department should ensure that documentation required for continued licensing, such as insurance policies and Government Services inspections, continue to be updated and maintained.*

3. *The Department should ensure that all required documentation is on file for the operators as required by the* Act *and* Regulations.

4. *The Department should ensure that all centre staff in contact with children meet the requirements of the* Act *and* Regulations.

5. *The Department should ensure that annual inspections by social workers, consultants, and Government Services are performed and documented as required by the* Act *and* Regulations.

6. *The Department should ensure that violation orders are issued in accordance with the* Act *and* Regulations *when warranted.*

7. *The Department should ensure that all required documentation is on file for family child care homes and providers as required by the* Act *and* Regulations.

Information we requested

The Department of Child, Youth and Family Services was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department of Child, Youth and Family Services has made progress in addressing the recommendations from our 2009 Annual Report, 6 of the original 7 recommendations had only been partially implemented.

To fully implement the recommendations, the Department of Child, Youth and Family Services will need to:

- ensure that documentation required for continued licensing, such as insurance policies and Government Services (now Service NL) inspections, continue to be updated and maintained;
- ensure that all required documentation is on file for the operators as required by the *Act* and *Regulations*;
- ensure that all centre staff in contact with children meet the requirements of the *Act* and *Regulations*;
- ensure that annual inspections by social workers, consultants and Government Services (now Service NL) are performed and documented as required by the *Act* and *Regulations;*

- ensure that violation orders are issued in accordance with the *Act* and *Regulations* when warranted; and

- ensure that all required documentation is on file for family child care homes and providers as required by the *Act* and *Regulations*.

We agree with the Department of Child, Youth and Family Services' position that the recommendation numbers 2, 3, 4, 5, 6 and 7 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department of Child, Youth and Family Services' position that recommendation number 1 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should ensure that child care centres submit all required documentation and applications specified for the licensing and relicensing processes within the timeline prescribed by the Act *and* Regulations.

Entity's response from previous report

In 2009, the Department indicated that:

"*The intent of this regulation is to allow the regional staff sufficient time to process the application before the existing licence expires. The regions make considerable efforts to remind licensees to submit their re-licensing documents according to the time frame required by the Child Care Services Regulations and avoid the risk of children and families being displaced. At no time was a centre without a licence due to the licensee's application being received less than 60 days prior to expiry of the existing licence*."

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Act *and* Regulations *required licensees to apply for re-licensing 60 days prior to the expiry of the existing licence. It is the licensee's responsibility to comply with this regulation. Regional staff remind the licensees of the upcoming expiry date verbally, in writing or both. If a*

licensee does not provide the materials 60 days prior, the consequence is that they have no guarantee that the licence will be able to be renewed prior to the date of expiry. If a licence has expired, the licensee is required to cease operations. At no time during the period of the Auditor General's Report was a centre operating without a licence."

Our conclusion

Follow-Up Not Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department should ensure that documentation required for continued licensing, such as insurance policies and Government Services inspections, continue to be updated and maintained.

Entity's response from previous report

In 2009, the Department informed us that:

An audit tool was developed by the Department in consultation with the Regional Directors to assist with file monitoring at the field level and some regions were using this tool. The new Department of Child, Youth and Family Services would develop a provincial quality system to monitor documentation required for licensing to verify compliance with requirements.

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Based on the findings from the Technical Review (2008) and Business Review (2009) the Department decided to develop a new CYFS information system to assist in caseload management. The new Integrated Services Management (ISM) System will be implemented over three years at a cost of $15.4 million and tailored to the specific documentation and strategic objectives of the Department of Child, Youth and Family Services. It will be much more effective in terms of the ability to track compliance on key indicators including licensing, inspection & documentation requirements in child care.

The first phase of this work; the analysis phase, was completed October 2010 – March 2011. The main objective of the ISM Analysis was to document business requirements for the new ISM solution to support the Department's current and future business vision.

The Department is implementing an accountability framework as part of the long term transformation process of the programs under its mandate. Each program area has identified key indicators to track program management and performance. Some processes will utilize CRMS whereas others are paper based. This approach to monitoring and performance measurement is incremental as other reports and processes will be added to the continuous quality improvement process over time. Tracking of initial key indicators identified commenced with the transition of the Western Region on March 31, 2011, and includes compliance with licensing requirements in child care. Similarly, implementation in the other regions will follow their respective transition dates."

Our conclusion

Follow-up Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Child, Youth and Family Services will need to ensure that documentation required for continued licensing, such as insurance policies and Government Services (now Service NL) inspections continue to be updated and maintained.

Recommendation No. 3

The Department should ensure that all required documentation is on file for the operators as required by the Act *and* Regulations.

Entity's response from previous report

In 2009, the Department indicated that:

"Child Care Services Regulations *allows the Regional Director to waive qualifications and experience requirements under certain circumstances. There is no ability to waive the requirement for First Aid, Certificate of Conduct, Child Protection Records Check, or immunization record. Annual inspection by a social worker is required to check for the proper documentation and that requirements are met in this area. Currently, the*

Department requests regions to submit information once a year on the qualifications and experience of operators and staff in child care centres. This provides a snapshot in time to audit compliance with the requirements. It includes a section to capture information on situations where academic qualifications and/or experience has been waived and under what conditions. As part of the development of its provincial quality system, the new department will review this program area to determine appropriate strategies for monitoring."

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Based on the findings from the Technical Review (2008) and Business Review (2009) the Department decided to develop a new CYFS information system to assist in caseload management. The new Integrated Services Management (ISM) System will be implemented over three years at a cost of $15.4 million and tailored to the specific documentation and strategic objectives of the Department of Child, Youth and Family Services. It will be much more effective in terms of the ability to track compliance on key indicators including licensing, inspection & documentation requirements in child care.

The first phase of this work; the analysis phase, was completed October 2010 – March 2011. The main objective of the ISM Analysis was to document business requirements for the new ISM solution to support the Department's current and future business vision.

The Department is implementing an accountability framework as part of the long term transformation process of the programs under its mandate. Each program area has identified key indicators to track program management and performance. Some processes will utilize CRMS whereas others are paper based. This approach to monitoring and performance measurement is incremental as other reports and processes will be added to the continuous quality improvement process over time. Tracking of initial key indicators identified commenced with the transition of the Western Region on March 31, 2011, and includes compliance with licensing requirements in child care. Similarly, implementation in the other regions will follow their respective transition dates."

Our conclusion

Follow-up Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Child, Youth and Family Services will need to ensure that all required documentation is on file for the operators as required by the *Act* and *Regulations.*

Recommendation No. 4

The Department should ensure that all centre staff in contact with children meet the requirements of the Act *and* Regulations.

Entity's response from previous report

In 2009, the Department indicated that:

"Child Care Services Regulations *allows the Regional Director to waive qualifications and experience requirements under certain circumstances. There is no ability to waive the requirement for First Aid, Certificate of Conduct, Child Protection Records Check, or immunization record. Annual inspection by a social worker is required to check for the proper documentation and that requirements are met in this area. Currently, the Department requests regions to submit information once a year on the qualifications and experience of operators and staff in child care centres. This provides a snapshot in time to audit compliance with the requirements. It includes a section to capture information on situations where academic qualifications and/or experience has been waived and under what conditions. As part of the development of its provincial quality system, the new department will review this program area to determine appropriate strategies for monitoring."*

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Based on the findings from the Technical Review (2008) and Business Review (2009) the Department decided to develop a new CYFS information system to assist in caseload management. The new Integrated Services Management (ISM) System will be implemented over three years at a cost of

$15.4 million and tailored to the specific documentation and strategic objectives of the Department of Child, Youth and Family Services. It will be much more effective in terms of the ability to track compliance on key indicators including licensing, inspection & documentation requirements in child care.

The first phase of this work; the analysis phase, was completed October 2010 – March 2011. The main objective of the ISM Analysis was to document business requirements for the new ISM solution to support the Department's current and future business vision.

The Department is implementing an accountability framework as part of the long term transformation process of the programs under its mandate. Each program area has identified key indicators to track program management and performance. Some processes will utilize CRMS whereas others are paper based. This approach to monitoring and performance measurement is incremental as other reports and processes will be added to the continuous quality improvement process over time. Tracking of initial key indicators identified commenced with the transition of the Western Region on March 31, 2011, and includes compliance with licensing requirements in child care. Similarly, implementation in the other regions will follow their respective transition dates."

Our conclusion

Follow-up Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Child, Youth and Family Services will need to ensure that all centre staff in contact with children meet the requirements of the *Act* and *Regulations*.

Recommendation No. 5

The Department should ensure that annual inspections by social workers, consultants, and Government Services are performed and documented as required by the Act *and* Regulations.

Entity's response from previous report

In 2009, the Department informed us that:

The annual assessment includes a number of elements that can be assessed at different times throughout the twelve months. The Department's future monitoring system will allow verification that all components are completed as required.

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Based on the findings from the Technical Review (2008) and Business Review (2009) the Department decided to develop a new CYFS information system to assist in caseload management. The new Integrated Services Management (ISM) System will be implemented over three years at a cost of $15.4 million and tailored to the specific documentation and strategic objectives of the Department of Child, Youth and Family Services. It will be much more effective in terms of the ability to track compliance on key indicators including licensing, inspection & documentation requirements in child care.

The first phase of this work; the analysis phase, was completed October 2010 – March 2011. The main objective of the ISM Analysis was to document business requirements for the new ISM solution to support the Department's current and future business vision.

The Department is implementing an accountability framework as part of the long term transformation process of the programs under its mandate. Each program area has identified key indicators to track program management and performance. Some processes will utilize CRMS whereas others are paper based. This approach to monitoring and performance measurement is incremental as other reports and processes will be added to the continuous quality improvement process over time. Tracking of initial key indicators identified commenced with the transition of the Western Region on March 31, 2011, and includes compliance with licensing requirements in child care. Similarly, implementation in the other regions will follow their respective transition dates."

Our conclusion

Follow-up Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Child, Youth and Family Services will need to ensure that annual inspections by social workers, consultants and Government Services (now Service NL) are performed and documented as required by the *Act* and *Regulations*.

Recommendation No. 6

The Department should ensure that violation orders are issued in accordance with the Act *and* Regulations *when warranted.*

Entity's response from previous report

In 2009, the Department informed us that:

Regional Directors determine if a violation order should be issued and the decision is based on a number of considerations such as level and immediacy of risk to children; how often this particular non-compliance has occurred; the history of compliance of the centre or home. There is a variety of sanctions an inspector can use when a centre or family child care home is not in compliance with the *Regulations*. These include verbal warnings, written warnings, violation orders, varied licence with conditions, and revocation of a licence or refusal to issue a licence.

To provide for more consistency in determining appropriate sanctions, a risk assessment process was being developed.

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"A draft policy regarding a risk assessment process for violators has been developed to bring consistency in determining appropriate sanctions. This will be implemented in 2011/12."

Our conclusion

Follow-up Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Child, Youth and Family Services will need to ensure that violation orders are issued in accordance with the *Act* and *Regulations* when warranted.

Recommendation No. 7

The Department should ensure that all required documentation is on file for family child care homes and providers as required by the Act *and* Regulations.

Entity's response from previous report

In 2009, the Department informed us that:

The Department of Child, Youth and Family Services will develop a provincial quality system to monitor documentation required for licensing to verify compliance with requirements.

Entity's response to current request

In 2011, the Department of Child, Youth and Family Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Based on the findings from the Technical Review (2008) and Business Review (2009) the Department decided to develop a new CYFS information system to assist in caseload management. The new Integrated Services Management (ISM) System will be implemented over three years at a cost of $15.4 million and tailored to the specific documentation and strategic objectives of the Department of Child, Youth and Family Services. It will be much more effective in terms of the ability to track compliance on key indicators including licensing, inspection & documentation requirements in child care.

The first phase of this work; the analysis phase, was completed October 2010 – March 2011. The main objective of the ISM Analysis was to document business requirements for the new ISM solution to support the Department's current and future business vision.

The Department is implementing an accountability framework as part of the long term transformation process of the programs under its mandate. Each program area has identified key indicators to track program management and performance. Some processes will utilize CRMS whereas others are paper based. This approach to monitoring and performance measurement is incremental as other reports and processes will be added to the continuous quality improvement process over time. Tracking of initial key indicators identified commenced with the transition of the Western Region on March 31, 2011, and includes compliance with licensing requirements in child care. Similarly, implementation in the other regions will follow their respective transition dates."

Our conclusion

Follow-up Required

We agree with the Department of Child, Youth and Family Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department of Child, Youth and Family Services will need to ensure that all required documentation is on file for family child care homes and providers as required by the *Act* and *Regulations*.

PART 2.10

DEPARTMENT OF CHILD, YOUTH AND FAMILY SERVICES

PROTECTIVE INTERVENTION PROGRAM FOR CHILDREN AT RISK

(2009 ANNUAL REPORT, PART 2.3)

Protective Intervention Program for Children at Risk (2009 Annual Report, Part 2.3)

Introduction

Our 2009 Annual Report included a review of Protective Intervention Program for Children at Risk at the Department of Child, Youth and Family Services (the Department) and the four regional health authorities. We conducted our review to determine whether:

- policies and procedures existed and if so, that established standards were being met;
- the Regional Health Authorities and the Department of Health and Community Services were adequately monitoring the PIP; and
- the *Child, Youth and Family Services Act* and other applicable legislation was being complied with.

What we found

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

Referrals not investigated within the required time frames

The Risk Management System was comprised of a computerized database (Client Referral and Management System), a series of procedures and reports, and a policies and procedures manual. The System was designed to assist social workers to identify, assess, respond to, and document the risk of child maltreatment within established timeframes.

The most serious failure to meet the required timeframes, which was known by the Department of Health and Community Services and the Eastern RHA, occurred on the northeast Avalon (excluding Conception Bay South) on two occasions, in 2004 and in 2006. Details were as follows:

- In January 2004, the Eastern RHA indicated that there were 559 cases that were considered backlog assessment cases. Special measures such as the redeployment of social workers, the curtailment of training, along with additional funding from Government to recruit 15 additional temporary staff were taken; however, this backlog was not resolved until June 2005.
- In October 2006 the Eastern RHA determined that it was again experiencing a backlog. As of June 2007, the Eastern RHA indicated that there were 642 cases that were considered backlog assessment cases and again undertook special measures to address the backlog.

Although the Eastern RHA created a new assessment team to deal exclusively with backlogged cases, due to ongoing issues (such as insufficient staff resources, high volume of assessments being received on an ongoing basis, and increased complexity of cases), at 31 October 2008, there were 613 cases that were still considered backlog assessment cases. Officials indicated that 149 of the 613 related to the June 2007 backlog cases.

In addition to the 2004 and 2006 backlogs whereby cases were not completed within the standard timeframes established, we selected a sample of 74 referrals from 3 RHAs (Eastern, Central and Western) to determine compliance with response times. Our review identified the following issues:

Initial Visit

We identified issues with 31 referrals as follows:

- 27 referrals indicated that the initial visit, to interview or observe the child(ren), was not conducted within the required response guidelines (ranging from immediate response to a maximum of 72 hours) after receipt of the referral and for which there were no acceptable explanations. The delays ranged from 1 day to 16 days.

  In 3 of the 27 referrals, it was ultimately determined that the children were unsafe once the visit occurred. The delays for these 3 cases ranged from 1 day to 15 days.

- In 4 referrals it could not be determined if the response priority was met because either the interview (observation) date or the response priority was missing from the documentation provided.

Safety Assessment

We identified issues with 22 referrals as follows:

- In 3 referrals the required Safety Assessment, to document whether it was safe for the child(ren) to remain in the current home environment while the referral is being investigated, was not completed.

- In 19 referrals the Safety Assessment was not completed within the required 24 hours of interviewing or observing the child(ren). The delays ranged from 1 day to 76 days.

Investigative Summary

We identified issues with 40 referrals as follows:

- In 11 referrals the required Investigative Summary, used by a social worker to document the verification of the initial referral allegations, determine if further protective intervention was required and to document other information gathered during the investigation, were not completed, or not fully completed.

- In 29 referrals the Investigative Summary was not completed within the required 30 days after receipt of the referral. The delays ranged from 1 day to 303 days.

History of Referral Verification

We identified issues with 16 referrals as follows:

- In 8 referrals the required History of Referral Verification, which documents previous referrals received and provides an overview of the findings of those referrals, was not completed.

- In 8 referrals the History of Referral Verification was not completed within the required 30 days after receipt of the referral. The delays ranged from 2 days to 124 days.

Risk Assessment

We identified issues with 24 referrals as follows:

- In 4 referrals the required Risk Assessment was not completed for cases where the need for long-term intervention was identified.

- In 9 referrals the Risk Assessment was not completed within the required 30 days after receipt of the referral. The delays ranged from 5 days to 144 days.

- In 11 referrals, it could not be determined if a Risk Assessment was necessary because the required Investigative Summary was not completed or not fully completed.

The Risk Management System was not fully implemented in the Labrador-Grenfell RHA

There were concerns with the Labrador-Grenfell RHA's ability to comply with the Provincial standards established by the Department when intervening and investigating situations where the safety, health and well being of children may be at risk. This situation existed because the RHA was not able to implement the Risk Management System in all locations as a result of difficulties in recruiting and retaining social workers.

Issues regarding the adequacy of monitoring and evaluation of the PIP

- The Client and Referral Management System (CRMS) was not capable of producing reports that would allow the Provincial Director and the RHAs to monitor whether the PIP standards are being achieved.

- The Provincial Director did not regularly review or evaluate any RHAs' file information during the period of our review.

- The Provincial Director did not have sufficient staff resources available to monitor and evaluate the PIP.

Ministerial Advisory Committee not fulfilling reporting requirements

Contrary to the requirements of the *Child, Youth and Family Services Act*, the Ministerial Advisory Committee did not prepare biennial reports to the Minister as to whether the purposes and principles of the *Act* were being achieved. Since 2000, only one report, in 2005, was prepared.

Furthermore, the Department of Health and Community Services had not formally reported on its efforts to address the recommendations contained in the 2005 Report. In particular, one of the findings not addressed was that the Department must increase its capacity to monitor and evaluate programs and services.

The RHAs have not included performance measures on the PIP in their strategic plans and annual reports

Although the PIP contains performance standards against which actual results could be reported, none of the RHA's Strategic Plans established any goals and objectives with respect to their performance in relation to these standards. As a result, none of the RHAs made any reference in their Annual Reports to their actual performance in relation to the PIP's performance standards.

As a result, Members of the House of Assembly were not being informed about the performance of the PIP relative to established performance standards.

Our follow-up

In April 2011, we contacted the Department requesting an update as to what progress had been made on the 9 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Regional Health Authorities should comply with the required response times.*

2. *The Department of Child, Youth and Family Services and the Eastern RHA should take steps to address the backlog assessment cases.*

3. *The Eastern RHA should complete cases within 30 days as required.*

4. *The Department of Child, Youth and Family Services and the Labrador-Grenfell RHA should continue the deployment of the computerized Risk Management System in the Labrador region of the RHA.*

5. *The Department of Child, Youth and Family Services and the Labrador-Grenfell RHA should take steps to address the recruitment and retention issues in the RHA, particularly in the Labrador region.*

6. *The Department of Child, Youth and Family Services should ensure that appropriate monitoring and evaluation is taking place and that the Provincial Director can meet the requirement to advise and report to the Minister on the status of the PIP.*

7. *The Department of Child, Youth and Family Services should comply with the* Child, Youth and Family Services Act *and ensure that the Ministerial Advisory Committee undertakes the review required by the* Act.

8. *The Department of Child, Youth and Family Services should formally report on its efforts to address recommendations identified in the Report of the Ministerial Advisory Committee.*

9. *The Regional Health Authorities should develop appropriate goals and objectives for the PIP and report on their actual performance in relation to these goals and objectives on an annual basis.*

Information we requested

The Department of Child, Youth and Family Services was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2009 Annual Report, 6 of the original 9 recommendations had only been partially implemented.

To fully implement the recommendations, the Department will need to:

- continue with the implementation of the following measures:
  - delivery of the new training program and the implementation of the Departmental training unit;
  - implement measures to address recruitment and retention;
  - implement the new organizational model;
  - complete the Caseload Measure process for all regions;
  - implement the new policies and procedures, including the associated training, which will be required when the new *Children and Youth Care and Protection Act* takes effect in July 2011; and
  - develop and implement the new information system to replace the CRMS.
- continue to review the standards of the Risk Management System and ensure that compliance is achieved with the standards that are in place;

- continue the implementation of the RMS in the Labrador region of the Labrador-Grenfell RHA, particularly as it relates to efforts to address recruitment and retention of social workers;
- continue its efforts to address recruitment and retention issues in the Labrador-Grenfell RHA, particularly in the Labrador region;
- continue to utilize CRMS to the extent possible to monitor the PIP program;
- conduct targeted monitoring and reviews of case files;
- establish the Quality Assurance Division;
- develop a full accountability framework including the establishment of appropriate objectives, indicators and a reporting process; and
- provide progress updates on identified goals, objectives, and indicators in its future annual reports.

We agree with the Department's position that recommendation numbers 1, 3, 4, 5, 6, and 9 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department's position that recommendation numbers 2, 7 and 8 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Regional Health Authorities should comply with the required response times.

Entity's response from previous report

Department

In 2009, the Department informed us that:

- It provided funding to the RHAs for regional CYFS/CRMS positions to provide CRMS training for staff and support to CYFS social workers and managers using the system.

- It supported a Work Force Analysis project, expected to conclude in early 2010, initiated at the Eastern Regional Health Authority to look at retention.

- Government provided funding to Memorial University to increase enrollment in both the Bachelor of Social Work and the Master of Social Work programs.

- Government supported a partnership with the Nunatsiavut government for a two year post undergraduate degree in social work.

- It was redesigning the organizational chart to ensure front-line operations had the support they needed including access to supervisory, clerical, assistant and technological supports. The new organizational chart would be in place in 2010/11 as part of the transition of programs and employees from the Regional Health Authorities to the new department.

- It was developing a system to measure workload to assist in employee/work allocation and caseload management. This was a long term objective and work would commence in this area once the services were transitioned and stabilized following the initial reorganization.

- It had instituted some interim changes to make the system more responsive while a more comprehensive assessment of the current system and protocols for complex cases is undertaken.

- Work was underway to develop a new CYFS information system.

Eastern Regional Health Authority

In 2009, the Authority informed us that:

- It had been requesting additional resources in its annual budget submissions to government. In particular it continued to advocate in its budget submissions for additional resources to meet workload demands.

- It had identified concerns, as well as made recommendations, to the Department of Health and Community Services regarding the current challenges of the Child, Youth and Family Services (CYFS) Program in meeting response times, difficulties with the risk management system and actions undertaken to improve compliance by addressing training of staff, recruitment and retention of staff, case complexity and solutions for CRMS.

- It was participating in a provincial working group mandated by the Department of Child, Youth and Family Services to examine the issue of documentation.

- All of its CYFS managers were accessing a new provincial training program that was focused on skill development for managers.

- It implemented a pilot Mentoring Program as a demonstration project with its May 2009 hires.

Central Regional Health Authority

In 2009, the Authority informed us that:

- It had adopted a standardized training process for its staff upon hiring.

- It had recruited, orientated and trained 35 new social workers since May 2007 with the assistance of board implemented recruitment incentives and initiatives.

- In relation to Risk Management System training, it revised the process of delivery, lengthened the training, and implemented Learning Labs. Risk Management System training was being evaluated on an ongoing basis and revisions made based on feedback.

- It had provided workers many learning opportunities including Basic and Advanced CRMS training, Legal Aspects training, On-Call training, First Aid and Non-Violent Crisis Intervention.

- Financial incentives were successful in recruiting staff in 2009 to where they currently had a very low vacancy rate and stability in both social work and management positions at the time of their response.

Western Regional Health Authority

In 2009, the Authority informed us that:

- It strongly recommended that the current Risk Management system be evaluated.

- It was committed to working with the Department of Child, Youth and Family Services to continue to move forward its efforts to improve the health and safety of all children in the region.

Labrador-Grenfell Regional Health Authority

In 2009, the Authority informed us that:

- Several initiatives had been identified to address chronic recruitment and retention issues, most particularly the Labrador Bachelor of Social Work program. It was anticipated this program would assist in stabilizing the workforce and move forward to stabilize the service delivery system.

- Efforts were ongoing to diversify the staffing infrastructure to provide greater supports in the interest of retention and as well to broaden the types of positions available which could be utilized effectively to meet the service delivery challenges.

- It was working closely with the Province to ensure that professional development was a focus at all levels in the organizational structure and that the professional development was culturally sensitive.

- It developed and implemented training in documentation aimed at achieving compliance with documentation standards.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Improving response times is linked to a number of key factors including appropriate training, resources, staff supports, workloads and technology. Initiatives in each of these areas are outlined below.

***Training* (Partially implemented)**

On January 28, 2011 a new CYFS training unit, in partnership with College of the North Atlantic (CNA), was announced to enhance the skills of the workforce in the Department. The new unit will include a manager and three trainers from CYFS, as well as a program developer from CNA who will work closely with the team and the Dean of Academics and Applied Arts of CNA. This Unit will be responsible for coordinating, developing and delivering all training for all programs within the Department of Child, Youth and Family Services.

A key component will be the delivery of the Core Training Program for social workers and managers, as well as the Supervisory Skills Program specifically for managers. This is a best practice based curriculum that focuses on the development of clinical practice and supervisory skills. The training is an extensive program that consists of eight modules covering a range of subjects, including case planning, documentation, and risk management. The program will be mandatory for the nearly 400 social workers working in CYFS. New social workers will also be required to complete the Pre-Core Training Program in order to build a foundation of skills needed for working with families and children within the CYFS system. This includes CRMS instruction.

Current training, which includes Pre Core for all new social workers and some of the modules of the CORE and supervisory training, are being delivered through the existing learning facilitators in the regions. In 2011-12, administration of all training programs will shift to the new Training Unit, all modules will be finalized, and a regular schedule of training commenced.

Recruitment & Retention (Partially implemented)

All RHAs have experienced difficulty in recruiting and retaining experienced staff because of the shortage of social workers and because of the nature of child protection work, which is among the most difficult and complex area of social work practice. The vacancy rate for CYFS social workers in the Province over the last two years has been on average 30 of approximately 324 social workers, or 9%. A number of initiatives (noted below) are underway to address stabilization of the workforce in all regions.

Government has supported initiatives directed specifically at improving recruitment and retention of social workers in Labrador. In partnership with the Nunatsiavut government, a two-year post undergraduate degree in social work has been established. This program has resulted in the graduation of over twenty additional social workers in Labrador. Currently 16 of the 22 graduates are employed with Labrador-Grenfell Regional Health Authority. Fourteen of whom are employed with CYFS.

Labrador-Grenfell Regional Health Authority indicates its workforce is currently stabilizing particularly in Happy Valley-Goose Bay and that North Coast staffing is at its highest levels in years with an 85% staffing rate in the Nunasivut area. Currently there are also two program supervisors residing on the North Coast (in Nain and Hopedale), with one recruited to Hopedale this past year. As a result, staff now have access to clinical supervision in both these communities. Similarly, the Central region notes that all of their current vacant frontline social work positions have been offered to

prospective applicants who are scheduled to begin employment on May 2011. The hiring of staff such as family intervention workers, family support workers, social work assistants, and clerical support in the various regions have strengthened the service delivery model and allowed social workers to focus on the direct work they need to do with families.

The Department of Child, Youth and Family Services has worked closely with the Department of Health and Community Services, the regional health authorities, and the Public Service Secretariat (PSS) to facilitate recruitment and retention strategies. On January 17, 2011 the Market Adjustment Policy was approved. This policy provides departments with the ability to offer signing bonuses to selected health professional occupations in hard to recruit areas. In total, twenty occupations, including social work, are covered by this policy. The RHAs, Department of Health & Community Services, and the Department of CYFS continue to work together towards implementation and evaluation of this policy.

Eastern Health implemented a pilot Mentoring Program in 2009. Given the development of the new department and organizational structure as well as the transitioning of staff to the new department, this pilot program has been put on hold until further analysis is completed.

From 2006 to 2009, there was a total of $24 million invested in the areas of front line service delivery, training, human resources, technology, quality improvement, and policy and program development. Investments in human resources included 223 new positions at both the regional and provincial levels. Budget 2010 committed an additional $1.8 million for positions which allowed 36 additional positions at the departmental and regional levels. Budget 2011 is providing an additional $9.2 million to the Department of Child, Youth and Family Services, bringing the Provincial Government's new total investment in the department to $33 million in just two years. Fifteen additional positions are supported in this new budget.

Work Force Analysis Project (Completed)

The CYFS Social Worker Recruitment and Retention Study (2009) targeted three complementary components in an attempt to provide an integrated understanding to staff turnover:

1. *An examination of Eastern Health's CYFS social worker turnover trends.*

2. *A provincial examination of the general conditions across the province and the factors associated with job satisfaction, social worker burnout, and intent to leave.*

3. *A thorough investigation into the experiences and perceptions of Child Welfare work in Newfoundland and Labrador.*

While aspects of the project were not applicable to the entire province, the project did provide information on key issues in the areas of recruitment and retention.

***Post Secondary Funding* (Completed)**

As noted in the January 2010 response, in addition to supporting a social work program in Labrador, Government provided funding to Memorial University to increase its enrollment in both the Bachelor of Social Work (BSW) and Master of Social Work (MSW) programs. Also, as of May 2010, the School of Social Work has again been offering a BSW degree as a second degree. This four-semester (16-month) program will have its first class graduate in August 2011. A second class commenced as of January 2011 and will graduate May 2012. The capacity is now as follows:

- *Bachelor of Social Work, 1st degree: 60 seats*
- *Bachelor of Social Work, 2nd degree: 15 seats*
- *Master of Social Work: 30 seats*

The Department anticipates that initiatives being undertaken to improve access to supervision, reduce caseload ratios, and increase access to professional development will further support recruitment and retention efforts.

***New Organizational Model* (Design is completed; implementation in all regions will take place following transition of staff from regions to the new Department).**

A key factor in achieving improvement is ensuring frontline staff and managers have the tools, resources, and supports required to provide services to children who require protective intervention. To help address this need, a new provincial organizational model has been developed, which will be implemented when staff transition from the RHAs. Key elements of the new organizational model include improved administrative and supervisory supports for frontline social workers. For programs areas including child protection, adoption and youth corrections, the goal is to have staff work within a standard service delivery team consisting of one supervisor, six social workers, a social work assistant, and a clerical support person.

This new model was partially informed by the Clinical Services Review (2008) that referenced workforce instability as well as sufficient leadership and resources which are linked to organizational structure. The most direct source however, informing the new organizational model resulted from the visits to the 52 CYFS offices and discussions with every staff person in the CYFS system. Key issues raised were access to a supervisor, more clerical and social worker assistant support so Social Workers could do social work, manageable workloads and a new IT system. All except the latter item led to the team based model with more clerical, supervisory and social worker assistant support and 13 zone managers to provide better oversight of cases and faster decision making. The new organizational model was assessed and approved by Government's Public Service Secretariat.

On March 28, 2011, 107 CYFS staff and services from the Western Regional Health Authority transitioned to the Department of Child, Youth and Family Services. The Western region is the first of the four Regional Health Authorities transferred to the Department. Transfer of the other three regions will occur in the 2011-2012 fiscal year.

***Caseload Measure* (Analysis fully completed in Western region)**

A process and collection tool was designed in September 2010 to support a case load exercise and position allocation in the organizational chart. Data collection is completed for all regions and the analysis is complete for Western region. Data analysis for the remaining three regions will be completed prior to their transitions. This is an initial step in the development of a comprehensive plan for the monitoring of files and file allocation. The strategic plan notes that "by March 31, 2014 the Department of Child, Youth and Family Services will have strengthened the service delivery framework by operationalizing the redesigned organizational model." The new supervisory-staff ratios as well as standardization of caseload sizes will assist in staff workload and allocation.

***Risk Management Changes & Complex Cases Protocols* (Partially implemented)**

The Department, in collaboration with the regions, undertook changes to the risk management standards as well as the Client Referral Management System (CRMS) in May 2010 to improve usability and assist RHAs in standards and policy compliance. These were in keeping with standards nationally. The standard for completing an investigation, including making the determination whether or not the file remains open, is 30 days and this has not changed. The first risk assessment instrument (RAI) is only completed if the file is to remain open. The time frame for this was included in the first 30 days. An additional 30 days, for a total of 60 days from receipt

of the referral, has now been added in recognition that a full 30 days is required for this assessment. The RAI is reviewed at various times throughout CYFS involvement with a family. The family file will close when the factors creating risk to the child(ren) have been reduced.

Further adjustments to RMS are being assessed and continued refinement of RMS is ongoing. All new social work hires in the regional health authorities receive Risk Management Training.

The need for improved documentation has been highlighted as an issue in many CYFS reviews. The Department, in collaboration with the regions has drafted CYFS documentation standards that will provide clear direction to staff in their work with families.

A legislative review occurred in 2009-2010. The new Act was introduced as Bill 1 in the spring 2010 sitting of the House of Assembly and passed into law. Policies, procedures, and associated forms have been drafted and will be finalized and distributed to all regional staff in May 2011. In-service sessions are also planned for May and June 2011. The new child-focused legislation; the Children and Youth Care and Protection Act will come into force July 2011 and will serve to better protect children and provide greater clarity to staff, community, clients, and the courts.

An Inquiries Coordinator position commenced in the 2009-2010 reporting period. This position is instrumental in monitoring critical incidents and complex cases as well as key service delivery issues. The Inquiries Coordinator and the Provincial Director meet regularly to ensure that there is appropriate, consistent & timely response to these items. The Department has also drafted policy and protocol regarding Adverse Events and Critical Incidents which will be shared with the regions.

CRMS (Partially implemented)

Based on the findings from the Technical Review (2008) and Business Review (2009) the Department decided to develop a new CYFS information system to assist in caseload management. The new Integrated Services Management (ISM) System will be implemented over three years at a cost of $15.4 million and tailored to the specific documentation and strategic objectives of the Department of Child, Youth and Family Services. It will be much more effective in terms of the clinical management of child protection cases, accountability, and quality control.

The first phase of this work; the analysis phase was completed October 2010-March 2011. The main objective of the ISM Analysis was to document business requirements for the new ISM solution to support the Department's current and future business vision."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue with the implementation of the following measures:

- delivery of the new training program and the implementation of the Departmental training unit;
- implement measures to address recruitment and retention;
- implement the new organizational model;
- complete the Caseload Measure process for all regions;
- implement the new policies and procedures, including the associated training, which will be required when the new *Children and Youth Care and Protection Act* takes effect in July 2011; and
- develop and implement the new information system to replace the CRMS.

Recommendation No. 2

The Department of Child, Youth and Family Services and the Eastern RHA should take steps to address the backlog assessment cases.

Entity's response from previous report

Department

In 2009, the Department informed us that:

- It provided funding to the RHAs for regional CYFS/CRMS positions to provide CRMS training for staff and support to CYFS social workers and managers using the system.

- It supported a Work Force Analysis project, expected to conclude in early 2010, initiated at the Eastern Regional Health Authority to look at retention.

- Government provided funding to Memorial University to increase enrollment in both the Bachelor of Social Work and the Master of Social Work programs.

- It was redesigning the organizational chart to ensure front-line operations had the support they needed including access to supervisory, clerical, assistant and technological supports. The new organizational chart would be in place in 2010/11 as part of the transition of programs and employees from the Regional Health Authorities to the new department.

- It was developing a system to measure workload to assist in employee/work allocation and caseload management. This was a long term objective and work would commence in this area once the services were transitioned and stabilized following the initial reorganization.

- It had instituted some interim changes to make the system more responsive while a more comprehensive assessment of the current system and protocols for complex cases is undertaken.

- Work was underway to develop a new CYFS information system.

- Together with the RHAs, it initiated a "Case Closure Project" to identify files that were considered eligible for assessment for closure. This Project also included changes to RMS program standards and CRMS. As of 7 December 2009 there had been a total of 406 files closed, 267 of which were from the Eastern RHA. Of these, 121 were in assessment/investigation. The Closure Project was ongoing and would conclude at the end of March 2010. Follow up on actions required on files which would remain open, to ensure that they were up to date, would continue.

- It would implement measures to improve the ease at which staff could enter information into the electronic system and comply with standards. Changes were under review with the regions to facilitate efficiencies and the application of appropriate standards. Implementation of these changes was targeted for the 2010/11 year. In the long term, the review of the RMS and redesign of the organizational structure was expected to have a positive impact in this area.

Eastern Regional Health Authority

In 2009, the Authority informed us that, as of 21 December 2009, six social workers and one manager had been assigned to completing assessments that were identified for possible closure as part of the Clinical Review and subsequent Provincial Closure Project 2009. In November 2009, all Urban Assessment Team files were reviewed by social workers as part of a formalized process to assist in caseload prioritization.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

Case Closure Project (Completed)

"At the completion of the Provincial Case Closure Project 78% of files identified were closed. Assessment on all files in the Case Closure Project that were identified as assessment cases when the project ended have been completed.

Those remaining open require ongoing long term intervention and are currently being addressed, including those identified in the Eastern Region. This ongoing work, intervention, and support provided to families is specific to a family's situation and is linked to the identified risk to the child(ren). Planning with the family will focus on identifying the interventions/services the parent(s) require so that they can develop the skills necessary to reduce the factors that create risk to their child(ren). Risk to the child(ren) is assessed throughout the CYFS involvement with the family. On an on-going basis the social worker works with the family to provide support and to monitor the outcomes of any intervention/services provided to the family. If it is determined that the level of risk to the child is increasing where it is no longer safe for the child to remain in the home, the child may be removed from the parent(s) care. However, with the majority of families carried on a protection caseload the child remains in the home while the family receives the identified interventions/services. When it is determined, through the

ongoing assessment of risk, that the level of risk is reduced to where CYFS intervention is no longer required, the file is closed.

The Department continues to work with all regions, including Eastern Region on any identified service delivery issues which includes reallocation of resources when required. An additional Eastern assessment team (comprised of six social workers and a manager), approved by the Department began in March 2011.

***CRMS* (Partially completed)**

As noted above, the Department undertook changes to the risk management standards as well as the Client Referral Management System (CRMS) in May 2010 to improve usability and assist RHAs in standards and policy compliance. These were in keeping with standards nationally. Further adjustments to RMS are being assessed and continued refinement of RMS is ongoing. In addition, as noted above, the Department, in collaboration with the regions has drafted CYFS documentation standards that will provide clear direction to staff in their work with families."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Eastern RHA should complete cases within 30 days as required.

Entity's response from previous report

In 2009, the Authority informed us that as of 21 December 2009, six social workers and one manager had been assigned to completing assessments that were identified for possible closure as part of the Clinical Review and subsequent Provincial Closure Project 2009. In November 2009, all Urban Assessment Team files were reviewed by social workers as part of a formalized process to assist in caseload prioritization.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Eastern Health completed its review of all files identified in Closure Project 2009. Recognizing its inability to consistently meet the standard of completing the protective intervention investigation within a 30-day time frame, the Regional Health Authority continued with its efforts to target the reassessment of assessment files in St. John's as a priority.

The challenges of worker turnover and high caseload numbers continue to contribute to Eastern Health's inability to consistently meet the standard of completing protective intervention investigations within a 30 day time frame. Eastern Health continues to re-allocate resources to the Assessment Program. Our objective is to work towards improving response time.

As noted above, the Department, in collaboration with the regions undertook changes to the risk management standards as well as the Client Referral Management System (CRMS) in May 2010 to improve usability and assist RHAs in standards and policy compliance, including the 30 day requirement. These were in keeping with standards nationally. Further adjustments to RMS are being assessed. As referenced above, an additional assessment team, approved by the Department began in March 2011 to facilitate compliance in this area.

In addition, an accountability framework is being implemented by the department as each region transitions and will track key indicators for each Program area to monitor program management and performance, including timeframes. This approach to monitoring and performance measurement is incremental and other reports and processes will be added to this continuous quality improvement process over time."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue to review the standards of the Risk Management System and ensure that compliance is achieved with the standards that are in place.

Recommendation No. 4

The Department of Child, Youth and Family Services and the Labrador-Grenfell RHA should continue the deployment of the computerized Risk Management System in the Labrador region of the RHA.

Entity's response from previous report

Department

In 2009, the Department informed us that implementation of RMS in this region was highly linked to recruitment and retention of social work staff. Government had supported initiatives directed at improving recruitment and retention of social workers in Labrador. This support included: funding for a recruitment video and support for a two-year BSW program in Labrador and housing in remote communities.

The Department further indicated that it was actively working with the LG-RHA and the Public Service Secretariat (PSS) to determine if there were additional measures that could be taken to recruit and retain staff or alternate service delivery models that would support the delivery of protective intervention programs in remote areas of Labrador. Some discussions had taken place with aboriginal representatives and input from aboriginal governments would be essential to improving services in aboriginal communities.

Labrador-Grenfell Regional Health Authority

In 2009, the Authority informed us that:

- It was working closely with the Province to identify and implement appropriate ongoing changes with a long term goal of creating a new information system for Child, Youth and Family Services.

- Several initiatives had been identified to address chronic recruitment and retention issues, most particularly the Labrador Bachelor of Social Work program. It was anticipated this program would assist in stabilizing the workforce and move forward to stabilize the service delivery system.

- Efforts were ongoing to diversify the staffing infrastructure to provide greater supports in the interest of retention and as well to broaden the types of positions available which could be utilized effectively to meet the service delivery challenges.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"LGRHA has indicated that implementation and operationalization of RMS in the Labrador region is impacted by the recruitment and retention of social work staff. The Department continues to work with all regions, including LGRHA to support and improve compliance. Changes have been made to make the system easier to use while a new replacement system is being developed. As well, a consultant for Aboriginal Issues was hired in October 2010 and is based in the Labrador region."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue the implementation of the RMS in the Labrador region of the Labrador-Grenfell RHA, particularly as it relates to efforts to address recruitment and retention of social workers.

Recommendation No. 5

The Department of Child, Youth and Family Services and the Labrador-Grenfell RHA should take steps to address the recruitment and retention issues in the RHA, particularly in the Labrador region.

Entity's response from previous report

Department

In 2009, the Department informed us that implementation of RMS in this region was highly linked to recruitment and retention of social work staff. Government had supported initiatives directed at improving recruitment and retention of social workers in Labrador. This support included: funding for a recruitment video and support for a two-year BSW program in Labrador and housing in remote communities.

The Department further indicated that it was actively working with the LG-RHA and the Public Service Secretariat (PSS) to determine if there were additional measures that could be taken to recruit and retain staff or alternate service delivery models that would support the delivery of protective intervention programs in remote areas of Labrador. Some discussions had taken place with aboriginal representatives and input from aboriginal governments would be essential to improving services in aboriginal communities.

Labrador-Grenfell Regional Health Authority

In 2009, the Authority informed us that:

- Several initiatives had been identified to address chronic recruitment and retention issues, most particularly the Labrador Bachelor of Social Work program. It was anticipated this program would assist in stabilizing the workforce and move forward to stabilize the service delivery system.

- Efforts were ongoing to diversify the staffing infrastructure to provide greater supports in the interest of retention and as well to broaden the types of positions available which could be utilized effectively to meet the service delivery challenges.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Government has supported initiatives directed specifically at improving recruitment and retention of social workers in Labrador. As noted earlier, in partnership with the Nunatsiavut Government, a two-year post undergraduate degree in social work has been established which resulted in the graduation of over twenty additional social workers in Labrador, fourteen of whom are

employed with CYFS in LGRHA. Labrador-Grenfell Regional Health Authority indicates its workforce is currently stabilizing in some areas, particularly in Happy Valley-Goose Bay and that North Coast staffing is at its highest levels in years with an 85% staffing rate in the Nunatsiavut area.

A Steering Committee for CYFS Services has been established for Labrador to develop a new organizational structure aimed at addressing systemic issues, improving service delivery and recognizing Labrador's unique geographic and cultural considerations, circumstances, and challenges. Provincial ministers from the Departments of CYFS, Labrador and Aboriginal Affairs, and Health and Community Services are part of the committee, alongside leaders from the Innu Nation, Nunatsiavut Government, and the NunatuKavut Community Council. This committee held its inaugural meeting in November 2010 and is based in the Labrador region. A second meeting of the committee is scheduled for Spring 2011."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue its efforts to address recruitment and retention issues in the Labrador-Grenfell RHA, particularly in the Labrador region.

Recommendation No. 6

The Department of Child, Youth and Family Services should ensure that appropriate monitoring and evaluation is taking place and that the Provincial Director can meet the requirement to advise and report to the Minister on the status of the PIP.

Protective Intervention Program for Children at Risk (2009 Annual Report, Part 2.3)

Entity's response from previous report

In 2009, the Department informed us that:

- While there were monitoring reports identified in the CRMS to monitor compliance with each of the Risk Management standards, there were technical problems preventing their implementation for general use by department and RHA staff. While work had been advanced in this area, it had not been completed because of lack of resources at the OCIO. It was further indicated that the development and implementation of monitoring reports was being reevaluated in the context of the decision to proceed with a new system.

- As part of the redesign of the organization chart, the new department was assessing regional services as well as provincial functions including the Quality Unit. It was intended that this would be a strong feature of the new department with a comprehensive system for gathering and analyzing information and reviewing results to affect positive change in areas of policy, practice, program design, and workload on an ongoing basis.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"During the period covered by the AG's report, the CRMS reports currently available have been utilized for monitoring and evaluation purposes by the Department and regional health authorities. As well, the Department undertook targeted monitoring in some areas and completed a major review of case files (the Clinical Services Review) in 2008. The Clinical Services Review was an evaluation of clinical social work and management practices within the child, youth and family services program. The report was based on a review of 400 provincial files (active between April 1, 2007 to March 31, 2008) from across seven program areas including: Protective Intervention, Family Services, Child Welfare Allowance, Children in Care, Caregiver Homes, Youth Services, and Screened-Out Cases. In May 2009, Government announced that it had accepted the recommendations of Clinical Services Review Report which is being used as a guiding document for the new Department.

Within the new organizational structure, a Quality Assurance Division comprised of a Director, Consultant, Program and Practice Auditors, and a Statistician will be established in 2011. This division will focus upon quality assurance activities that include file reviews, ongoing monitoring

mechanisms, program evaluation, as well as outcome and performance measurement. The Department's Strategic Plan (2010-2014) notes that "by March 31, 2014 quality monitoring in key areas will be operational" and that "by 2017 a system of continuous quality improvement and outcome measurement to inform program decisions will be established."

A full accountability framework will be implemented as part of the long term transformation process of the DCYFS. Each Program area has identified key indicators to track program management and performance. Some processes will utilize CRMS whereas others are paper based. This approach to monitoring and performance measurement is incremental as other reports and processes will be added to the continuous quality improvement process over time. Tracking of initial key indicators identified commenced with the transition of the Western Region on March 28, 2011. Similarly, implementation in the other regions will follow their respective transition dates."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue to utilize CRMS to the extent possible to monitor the PIP program; conduct targeted monitoring and reviews of case files; establish the Quality Assurance Division; and develop a full accountability framework including the establishment of appropriate objectives, indicators and a reporting process.

Recommendation No. 7

The Department of Child, Youth and Family Services should comply with the Child, Youth and Family Services Act *and ensure that the Ministerial Advisory Committee undertakes the review required by the* Act.

Protective Intervention Program for Children at Risk (2009 Annual Report, Part 2.3)

Entity's response from previous report

In 2009, the Department informed us that:

- A second committee was appointed in the Spring of 2006 and was expected to complete its work with the tabling of a report in the Spring 2010 sitting of the House of Assembly.

- Section 75 would be reviewed as part of the legislative review of the *Child, Youth and Family Services Act* that was underway.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The second Minister's Advisory Committee was appointed in April 2006. That Committee's final report, submitted March 31, 2010 focused upon the progress made with respect to the thirty recommendations of the Committee's 2005 report. These recommendations are consistent with other reports commissioned by the Province, including the Clinical Services Review previously referenced in this update.

The new child protection legislation; Children and Youth Care and Protection Act which will come into force July 2011 does not include a provision for the appointment of a Minister's Advisory Committee to review the operations of the Act. Consequently no further work is contemplated in regard to the Committee. The new legislation does however include an accountability mechanism in that the Minister shall, every five years, conduct a review of the new legislation and the principles on which it is based and consider the areas which may be improved. Such a review shall include public consultation."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

We further note that the legislation that we reviewed in our original report, and upon which we based our recommendation, has changed resulting in this recommendation no longer being applicable.

Recommendation No. 8

The Department of Child, Youth and Family Services should formally report on its efforts to address recommendations identified in the Report of the Ministerial Advisory Committee.

Entity's response from previous report

In 2009, the Department informed us that:

- A second committee was appointed in the Spring of 2006 and was expected to complete its work with the tabling of a report in the Spring 2010 sitting of the House of Assembly.

- Section 75 would be reviewed as part of the legislative review of the *Child, Youth and Family Services Act* that was underway.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The second Minister's Advisory Committee was appointed in April 2006. That Committee's final report, submitted March 31, 2010 focused upon the progress made with respect to the thirty recommendations of the Committee's 2005 report. These recommendations are consistent with other reports commissioned by the Province, including the Clinical Services Review previously referenced in this update.

The new child protection legislation; Children and Youth Care and Protection Act which will come into force July 2011 does not include a provision for the appointment of a Minister's Advisory Committee to review the operations of the Act. Consequently no further work is contemplated in regard to the Committee. The new legislation does however include an accountability mechanism in that the Minister shall, every five years, conduct a review of the new legislation and the principles on which it is based and consider the areas which may be improved. Such a review shall include public consultation."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

We further note that the legislation that we reviewed in our original report, and upon which we based our recommendation, has changed resulting in this recommendation no longer being applicable.

Recommendation No. 9

The Regional Health Authorities should develop appropriate goals and objectives for the PIP and report on their actual performance in relation to these goals and objectives on an annual basis.

Entity's response from previous report

Department

In 2009, the Department informed us that it was developing a Strategic Plan under the provisions of the *Transparency and Accountability Act*. As part of this process the Department would develop goals, objectives and indicators and would report on these specific commitments annually as required by the *Act*.

Eastern Regional Health Authority

In 2009, the Authority informed us that:

- It identified a need to have a Clinical Standard Audit Plan by March 2011.
- A quality improvement strategy was to be developed by March 2011 which would include the development of CRMS indicator lists and annual documentation audits.
- It envisioned that this matter would be moved to the new Department of Child, Youth and Family Services.

Central Regional Health Authority

In 2009, the Authority did not inform us of any planned actions to address this recommendation.

Western Regional Health Authority

In 2009, the Authority did not inform us of any planned actions to address this recommendation.

Labrador-Grenfell Regional Health Authority

In 2009, the Authority informed us that it had taken steps to identify indicators which trace the assessment and management of Risk. It had also modified its monthly report to contain indicators which would allow it to monitor the application of the risk management process at each site. It was further indicated that this tool was developmental and was being piloted.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The DCYFS 2010-2014 Strategic Plan was tabled in the House of Assembly and publicly launched on September 10, 2010. Annual reports of DCYFS will provide progress updates on identified goals, objectives, and indicators within the plan. An accountability framework is being put in place as noted earlier."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to provide progress updates on identified goals, objectives, and indicators in its future annual reports and establish an accountability framework.

PART 2.11

DEPARTMENT OF EDUCATION

CONSEIL SCOLAIRE FRANCOPHONE PROVINCIAL DE TERRE-NEUVE-ET-LABRADOR

(2008 ANNUAL REPORT, PART 2.3; UPDATE: 2010, PART 2.5)

Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador (2008 Annual Report, Part 2.3; Update: 2010, Part 2.5)

Introduction

Our 2008 Annual Report included a review of the Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador (the School District) at the Department of Education. We conducted our review to determine whether:

- compensation and hiring practices were in accordance with Government policy;
- purchase of goods and services were approved, monitored, and complied with the *Public Tender Act* and *Regulations;* and
- capital assets were monitored and controlled.

What we found

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

- The School District did not always comply with Government's hiring and compensation policies. For example: the School District could not demonstrate that all job competitions were fair and equitable as required by Government policy; there was no Treasury Board approval for four positions reviewed, employee contracts had not all been provided to the Department of Justice for review and approval as required by Government policy; and there were issues with the compensation paid to 4 of 11 employees reviewed.
- The School District was not adequately monitoring employee leave and overtime to ensure it was properly approved, accrued and taken. We reviewed the leave and overtime of five employees and identified five issues with three.
- The School District did not always comply with the *Public Tender Act* and *Regulations* and Government's travel rules and relocation policies.
- There was not adequate documentation relating to a transaction with a company which is also a tenant of the School District.
- Issues relating to travel claims and relocation expenditures included instances where incorrect mileage rates were used, an instance where a car allowance was paid incorrectly, travel claims that did not include the time of departure or arrival, and travel claims that were not always approved.

- The School District did not adequately control capital assets. In particular, it did not tag its capital assets or record all capital assets in a ledger. In addition, no periodic inventory counts were performed and not all capital assets were reconciled to the financial records. As a result, missing assets may not be detected.

Our follow-up

In our 2010 Update Report we concluded that six of the original nine recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the School District requesting an update as to what progress had been made on the six recommendations as of 31 March 2011. The recommendations are as follows:

1. *The School District should ensure employee positions and classifications are approved by Treasury Board.*

2. *The School District should ensure employees are compensated in accordance with Government policy or approved contracts.*

3. *The School District should ensure employee leave and overtime are properly approved, documented and monitored.*

4. *The School District should ensure expenditures are always approved, supported and accounted for.*

5. *The School District should ensure policies and procedures for the identification, recording, controlling and monitoring of capital assets are developed and implemented.*

6. *The School District should ensure capital assets are tagged, information is recorded in a capital asset ledger, and capital assets are periodically inventoried and reconciled to financial records.*

Information we requested

The School District was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador (2008 Annual Report, Part 2.3; Update: 2010, Part 2.5)

Overall conclusion

While the School District has made progress in addressing the recommendations from our 2008 Annual Report, three of the original six recommendations had only been partially implemented.

We agree with the School District's position that the recommendation numbers 5 and 6 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the School District will need to:

- adopt a formal capital asset policy; and
- reconcile the capital database to the financial records on a regular basis.

We agree with the School District's position that the recommendation number 4 has been partially implemented. However, we will not follow-up on this recommendation again next year as the School District agrees with the recommendation and, based on action taken to date by the School District, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the School District's position that the recommendation numbers 1, 2 and 3 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The School District should ensure employee positions and classifications are approved by Treasury Board.

Entity's response from previous report

In 2010, the School District informed us that:

- this recommendation would be fully implemented by 30 June 2010. It had submitted three of the four job descriptions for classification; however, it had not received the final job classifications; and
- the position that had been reclassified effective 1 September 2005 was subject to a formal classification by Treasury Board. It would evaluate this reclassification subsequent to the receipt of the response from Treasury Board.

Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador (2008 Annual Report, Part 2.3; Update: 2010, Part 2.5)

Entity's response to current request

In 2011, the School District informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"All four [School District] office positions have been formally classified by Treasury Board."*

Our conclusion

Follow-Up Not Required

We agree with the School District's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The School District should ensure employees are compensated in accordance with Government policy or approved contracts.

Entity's response from previous report

In 2010, the School District informed us that:

- it would fully implement this recommendation by 30 June 2010;
- it had cause to inquire about certain provisions of its standard employment contract. The District's legal counsel reviewed this document and the District incorporated suggested improvements into subsequent contracts. It had also, submitted the contract to the Department of Justice; however, no response had been received on this request;
- there was one position for which it had not drafted a formal contract. It intended to have this done by 30 June 2010; and
- it had submitted an updated contract for the District Director to the Minister of Education for approval. It also intended to prepare an updated contract for the Assistant Director by 30 June 2010.

Entity's response to current request

In 2011, the School District informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The final outstanding contract has been drafted and signed."*

Our conclusion

Follow-Up Not Required

We agree with the School District's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The School District should ensure employee leave and overtime are properly approved, documented and monitored.

Entity's response from previous report

In 2010, the School District informed us that:

- it would fully implement this recommendation by 30 June 2010;
- it had banked very little overtime since the review. The Coordinator of IT was the sole staff member to accumulate any time and this time had been greatly restricted subsequent to the receipt of the Auditor General's initial observations; and
- it had developed an overtime pre-approval form.

Entity's response to current request

In 2011, the School District informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"After further investigation, the [School District] recognized its obligation in regard to leave benefits and adopted a paid-leave policy for non-management / non-union permanent staff effective January 1, 2011."*

Our conclusion

Follow-Up Not Required

We agree with the School District's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The School District should ensure expenditures are always approved, supported and accounted for.

Entity's response from previous report

In 2010, the School District informed us that:

- it had informed employees of the necessity to use travel forms to claim only travel related expenses and to use purchase orders for regular purchases while on travel status. Despite communication to this effect, some exceptions had occurred; therefore, subsequent corrective messaging had been delivered to completely respect this recommendation;

- it had noted computer serial numbers in the inventory file; however, it had not implemented the noting of such numbers on supplier invoices. It would action this recommendation before 30 June 2010; and

- it had completely updated its inventory to March 2010 to include all serial numbers for computer equipment.

Entity's response to current request

In 2011, the School District informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The [School District] has heeded recommendations on tightening up approvals and support in regard to expenditures. In regard to the goal of linking computer serial numbers to invoice copies the District is now noting same on all new acquisitions."*

Our conclusion

Follow-up Not Required

We agree with the School District's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the School District agrees with the recommendation and, based on action taken to date by the School District, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 5

The School District should ensure policies and procedures for the identification, recording, controlling and monitoring of capital assets are developed and implemented.

Entity's response from previous report

In 2010, the School District informed us that:

- it had not adopted a formal policy;
- it was still in the process of a major reorganization of its policy framework. It had made considerable progress in the creation of an asset database. It completed this database in June 2009; however, it had neither updated nor reconciled the database to the financial records; and
- it had paid greater attention to the IT inventory and had performed full updates of this inventory annually, the most recent in early March 2010. This inventory file now included all serial numbers for computer equipment.

Entity's response to current request

In 2011, the School District informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Recent information gathering efforts in regard to policy development for capital assets have provided limited guidance, so an in-house solution will therefore have to be developed. The [School District] agrees that action in this area is required though, unfortunately, these items have been the slowest to implement of the Auditor General's various action items."*

Our conclusion

Follow-up Required

We agree with the School District's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the School District will need to adopt a formal capital asset policy.

Recommendation No. 6

The School District should ensure capital assets are tagged, information is recorded in a capital asset ledger, and capital assets are periodically inventoried and reconciled to financial records.

Entity's response from previous report

In 2010, the School District informed us that:

- it hired a summer student in May 2009 to physically tag all assets and create a database. The reconciliation of the database to the financial records remained to be completed. It intended to hire a summer student to do the reconciliation prior to 30 June 2010;
- it had completely verified and augmented its computer equipment inventory to include the detail recommended. This task was a responsibility of District's Coordinator of Information Technology; and
- it discovered that the tags were purposefully removed by students; therefore, it planned to take corrective measures before 30 June 2010.

Entity's response to current request

In 2011, the School District informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"As noted in previous letters to the Auditor General, the School District did develop a physical inventory database and it tagged its assets. Further efforts to tie the accounting records into this database are required. The School District management group recognizes the advisability of implementing these recommendations though, unfortunately, these items have been the slowest to implement of the Auditor General's various action items."*

Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador (2008 Annual Report, Part 2.3; Update: 2010, Part 2.5)

Our conclusion

Follow-up Required

We agree with the School District's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the School District will need to reconcile the capital asset database to the financial records on a regular basis.

Conseil Scolaire Francophone Provincial de Terre-Neuve-et-Labrador (2008 Annual Report, Part 2.3; Update: 2010, Part 2.5)

PART 2.12

DEPARTMENT OF EDUCATION

MONITORING AIR QUALITY IN SCHOOLS

(2008 ANNUAL REPORT, PART 2.4; UPDATE: 2010, PART 2.7)

Monitoring Air Quality in Schools
(2008 Annual Report, Part 2.4; Update: 2010, Part 2.7)

Introduction

Our 2008 Annual Report included a review of Monitoring Air Quality in Schools at the Department of Education (the Department). We conducted our review to determine whether the Department was adequately monitoring indoor air quality in schools and taking action to address issues related to air quality.

What we found

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

- Based on the results of annual school inspections, enhanced inspections undertaken in 2007 and tests associated with prior initiatives, there was evidence to suggest that there were issues in schools with regards to air quality. Potential issues identified included such things as: ventilation, mould and mildew, leaks and stained ceiling tiles.

- Not all planned inspections and/or initiatives were completed. For example, the former Department of Government Services, which as of 28 October 2011 is known as Service NL was not always completing the required annual inspections; 186 of 229 schools identified as requiring an inspection for asbestos had never had assessments performed by the school districts; and 43 schools in operation in 2007-08 had never been tested for air quality even though they were part of an initiative to do so in 1998.

- Issues relating to air quality were not always addressed in a timely manner. Although issues relating to air quality were identified every year in annual inspections, quite often the issues were not addressed and recurred from year to year at the same school.

- Carpets and chalkboards continued to be used in schools even though they were identified as contributors to dust and poor air quality in schools in the 1998 testing.

- Issues with mechanical ventilation systems included inoperable, unclean and blocked ventilation systems and poor ventilation in specific classrooms such as computer and chemistry labs, and industrial arts rooms. Furthermore, issues were identified with regards to natural ventilation including windows that could not be opened because they had been sealed shut, missing handles, missing or broken screens and classrooms without windows or other ventilation.

- Not all parts of the annual inspection reports prepared by the former Department of Government Services were always completed and compliance dates/times for remedial action were not always noted.

- Neither the former Department of Government Services nor the school districts had a centralized database to track annual school inspections and any issues identified during those inspections.

- The Department of Education's database to record air quality initiatives and the required asbestos testing was not up-to-date.

- The former Department of Government Services did not have a documented school inspection policies and procedures manual to assist the Environmental Health Officers in their annual inspections of schools.

- Neither the Department of Education nor the school districts had policies and procedures to ensure issues related to air quality are monitored and followed-up.

Our follow-up

In our 2010 Update Report we concluded that two of the original eight recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the two recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department of Education in cooperation with school districts and the Department of Government Services should establish policies and procedures and a centralized information system to monitor school inspections, issues, and any action taken.*

2. *The Department of Education should establish procedures to monitor issues related to air quality in schools on a proactive basis.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Monitoring Air Quality in Schools
(2008 Annual Report, Part 2.4; Update: 2010, Part 2.7)

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2008 Annual Report, one of the original eight recommendations had only been partially implemented.

We agree with the Department's position that the recommendation number 1 has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the Department's position that the recommendation number 2 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department of Education in cooperation with school districts and the Department of Government Services should establish policies and procedures and a centralized information system to monitor school inspections, issues, and any action taken.

Entity's response from previous report

In 2010, the Department informed us that:

- a database was being developed by the Eastern School District to record and track all issues related to air quality, hazardous materials assessment, enhanced inspections and other related issues. The Department anticipated that the database would be adopted by the other four school districts. The database was still in the development stage and was nearly ready for testing at the Eastern School District;

- it hired an industrial hygienist on 7 December 2009 to develop policies to better enable the Department and school districts address issues relating to air quality. This would include guidelines respecting the approach to handling indoor air quality complaints and issues, particularly the testing and temporary closure of schools due to air quality concerns; working with school districts to make informed decisions with respect to indoor air quality concerns that could lead to a school closure; the strategic inspection and monitoring of indoor air quality in schools; and coordinating and maintaining a database;

- its industrial hygienist was in the process of developing indoor air quality related policies, procedures, and checklists. The Department anticipated that the industrial hygienist would develop additional procedures over time and provide training to school district maintenance staff with respect to identifying and correcting conditions that could lead to air quality related issues;

- with respect to enhanced inspections, school districts were required to submit action plans, with associated timelines, to the former Department of Government Services on how they would be addressing recommendations from the enhanced inspection reports. The former Department of Government Services was responsible for monitoring progress on these action items. The Department had developed an electronic database for tracking the enhanced inspections and action plans; and

- in consultation with the former Departments of Government Services and Education, and the Regional Health Authorities, the Department of Health and Community Services was in the process of developing additional guidance documents on school inspections.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The Department of Education provided support for the development of a database system at the Eastern School District to better enable the monitoring of issues identified in schools, particularly those related to air quality and fire and life safety, to ensure that they are addressed in a timely manner.*

The new system (Site Inspection Enterprise Management System) will enable school districts to record issues and electronically delegate action items to staff. The status of action items are updated as staff address same and reminders are automatically generated if a deadline for completion has passed. This will provide districts with up-to-date information regarding the status of identified issues at their respective schools to ensure timely action.

The Site Inspection Enterprise Management System has been fully implemented in the Eastern School District and the department is currently in the next phase of this project which will be to implement the system in the remaining school districts. This is scheduled to occur during the 2011-12 fiscal year. Discussions have already taken place with school districts regarding same and appropriate training on the operation of the system will be provided to district staff during implementation.

Once the system has been implemented in all school districts the department will be able to view each district's information to enable the generation of reports with respect to the status of identified issues. This will enable the department to monitor and follow-up on outstanding issues, if necessary.

As noted in the Department's 2010 follow-up response, an Industrial Hygienist was hired in December 2009 to assist the K-12 school system with respect to:

- *Develop policies to better enable the department and school districts to address issues relating to air quality;*
- *Strategically inspect and monitor indoor air quality in schools; and*
- *Coordinate and maintain a database.*

Since being hired by the Department of Education, the Industrial Hygienist has assisted in the development of a number of policies and procedures related to indoor air quality and it is anticipated that additional policies and procedures will be developed in the future as necessary. Those that have already been developed include:

- *A natural ventilation protocol for schools, including a user guide and presentation;*
- *An asbestos management program (with input from the Department of Government Services). This is anticipated to be implemented in the near future with training to first occur at the Eastern School District;*
- *A dust control procedure, which is currently utilized in Department of Education tendered projects where disturbance of dust can cause indoor air quality problems; and,*
- *A user guide to assist contractors in the preparation of site specific safety plans which are required by Occupational Health and Safety legislation.*

In addition to the above, the Industrial Hygienist has also conducted hazardous materials and other air quality related assessments at various schools; worked with environmental consultants in an effort to improve the quality of hazardous materials school assessments; assisted the Eastern School District in the development of their mould abatement procedures; and assisted the Department of Transportation and Works in preparing tender specifications that meet the intent of provincial legislation respecting hazardous materials removal during demolition projects.

Furthermore, in addition to the on-going annual general health and safety inspections and the enhanced inspections pilot (now concluded) conducted at the province's K-12 schools by the Department of Government Services, the Department of Education, through its Industrial Hygienist, has initiated a complementary additional inspection process for school districts, based on the enhanced inspection pilot process, to ensure there is a minimum of at least one other annual inspection on each school's infrastructure and condition. This additional inspection is focused on those aspects of the school building and environment which could affect indoor air quality, handling of hazardous materials and related health and safety concerns.

All school districts are required to conduct this inspection and submit the inspection form to the Department of Education, with planned course of action to address deficiencies, on an annual basis. Issues identified through this process will be recorded and monitored by the districts and the department until appropriate action is taken, noting that issues of an urgent nature will be addressed immediately. The department is currently in the process of receiving the completed forms from school districts for the 2010-11 school year and is reviewing same to ensure that deficiencies are documented for appropriate follow-up. It should be noted that as new types of issues are identified by the department the form will be revised to incorporate same.

Both the Government Services annual inspections and the additional school district inspections will be recorded in the new Site Inspection Enterprise Management System by district staff once it has been implemented throughout all school districts. The Department of Education will be able to view this information and follow-up with districts if necessary. The Department of Government Services will continue to follow up on the regular inspections and the enhanced inspections previously conducted, as appropriate."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 2

The Department of Education should establish procedures to monitor issues related to air quality in schools on a proactive basis.

Entity's response from previous report

In 2010, the Department informed us that:

- it had carried out an additional 29 enhanced inspections, bringing the total to 87. It also carried out 92 building envelope assessments. At the time, it had approved and completed approximately $13 million in projects specific to substantive issues identified in the inspections. In addition, it planned to spend in excess of $40 million on repairs and maintenance projects in 2009-10 to bring the total over the last two years to $67.4 million;

- it had incorporated the results of enhanced inspections and building envelope assessments into school board priority lists to better address issues that related to air quality in schools. In addition, school districts prepared and submitted action plans that identified issues and the specific actions that they would or have completed to address routine repairs and maintenance issues. The boards had submitted their action plans to the former Department of Government Services, which is responsible for monitoring progress on the recommendations in the inspection reports;

- a database was being developed by the Eastern School District to record and track all issues related to air quality, hazardous materials assessment, enhanced inspections and other related issues. It anticipated that the database would be adopted by the other four school districts;

- it was utilizing databases and files for maintaining records of air quality related issues, hazardous materials assessment reports, enhanced inspection reports, as well as action items and capital project requests. In addition, all school districts were also utilizing spreadsheets and databases to track action plans, maintenance work orders and other maintenance related issues;

- the pilot project had largely identified the main conditions which might lead to air quality issues. The former Department of Government Services would continue to assist the Department of Education, on an as needed basis, if an enhanced inspection was required at a particular school. The future focus would be on ensuring school districts had identified and addressed the key contributors to poor indoor air quality; and

- in conjunction with the Department of Health and Community Services, the Department of Education had incorporated some of the features of the enhanced inspection pilot into the annual inspection process to ensure key factors were monitored on a regular basis.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"As already noted, a database has been developed at the Eastern School District to record and track all issues related to air quality, fire and life safety as well as other related issues. The system has been fully implemented in the Eastern School District and the department will be implementing the system in the remaining school districts during fiscal year 2011-12. Once fully implemented, the department will have access to all issues entered into the system by the districts and have the ability to print reports regarding the status of same to enable follow-up.*

At present, all school districts are currently utilizing spreadsheets and other databases to track action plans, maintenance work orders and other maintenance related issues. Once the new database system (Site Inspection Enterprise Management System) has been implemented in all five school districts, much of this information will be included in same to enable increased monitoring. In addition, the Department of Education currently utilizes databases, spreadsheets and files for maintaining records of air quality related issues, hazardous materials assessment reports, enhanced inspection reports, as well as related action items and capital project requests.

The Department of Education has placed an increased focus on building envelope assessments in recent years to ensure that issues related to water infiltration are identified. This was one of the main themes identified through the enhanced inspection pilot. On a go forward basis, schools aged 10 years or older will receive a building envelope assessment by department staff or hired consultants every five years, which is in addition to the new annual inspections that will be conducted by school districts. As of February 2011, 188 schools had received a building envelope assessment and by the end of

fiscal year 2011-12 a building envelope assessment will have been completed on all remaining schools aged 10 years or older. Once a school is assessed, the date of reassessment is recorded in a database to inform future year assessments. In addition, the department has been projecting and tracking the useful life of building envelopes to ensure that roofs, windows, and siding are monitored as they near the end of their life cycle.

Furthermore, in addition to the on-going annual general health and safety inspections and the enhanced inspections pilot (now concluded) conducted at the province's K-12 schools by the Department of Government Services, the Department of Education, through its Industrial Hygienist, has initiated a complementary additional inspection process for school districts, based on the enhanced inspection pilot process, to ensure there is a minimum of at least one other annual inspection on each school's infrastructure and condition. This additional inspection is focused on those aspects of the school building and environment which could affect indoor air quality, handling of hazardous materials and related health and safety concerns.

All school districts are required to conduct this inspection and submit the inspection form to the Department of Education, with a planned course of action to address deficiencies, on an annual basis. Issues identified through this process will be recorded and monitored by the districts and the department until appropriate action is taken, noting that issues of an urgent nature will be addressed immediately. The department is currently in the process of receiving the completed forms from school districts for the 2010-11 school year and is reviewing same to ensure that deficiencies are documented for appropriate follow-up. It should be noted that as new types of issues are identified by the department the form will be revised to incorporate same.

Both the Government Services annual inspections and the additional school district inspections will be recorded in the new Site Inspection Enterprise Management System by district staff once it has been implemented throughout all school districts. The Department of Education will be able to view this information and follow-up with districts if necessary. The Department of Government Services will continue to follow up on the regular inspections and the enhanced inspections previously conducted, as appropriate."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Monitoring Air Quality in Schools
(2008 Annual Report, Part 2.4; Update: 2010, Part 2.7)

PART 2.13

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

PETROLEUM STORAGE SYSTEMS

(2005 ANNUAL REPORT, PART 2.6; UPDATES: 2007, PART 3.2.8; 2009, PART 2.7; 2010, PART 2.13)

Petroleum Storage Systems
(2005 Annual Report, Part 2.6; Updates: 2007, Part 3.2.8; 2009, Part 2.7; 2010, Part 2.13)

Introduction

Our 2005 Annual Report included a review of Petroleum Storage Systems at the Department of Environment and Conservation (the Department). We conducted our 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

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

- Only 3,125 of the estimated 7,000 petroleum storage systems required to be registered by 30 November 2004, were registered as at 12 October 2005. Furthermore, information obtained through the registration process was not verified and had resulted in database errors.
- Inspections were not always performed by the Government Service Centres within established frequencies.
- The Department of Environment and Conservation's database was not used to assess risk for purposes of scheduling inspections.
- Inspectors did not always perform verification of information provided by operators during the inspection process.
- Issues identified during inspections were not always followed-up.
- Government Service Centres had not been diligent in enforcing the removal of abandoned tanks.
- The Department had not taken any enforcement action for facilities that had not registered petroleum storage systems as required.

Petroleum Storage Systems
(2005 Annual Report, Part 2.6; Updates: 2007, Part 3.2.8; 2009, Part 2.7; 2010, Part 2.13)

Our follow-up

In our 2010 Update Report we concluded that one of the original seven recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

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.*

Information we requested

The Department was asked to advise whether the recommendation had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2005 Annual Report, one of the original seven recommendations had only been partially implemented.

We agree with the Department's position that the recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

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

In 2010, the Department informed us that:

- effective January 2010, it had dedicated resources to undertake a systematic review of all available information on storage tanks on the Avalon Peninsula. The intent was to develop a protocol for reviewing these files and to determine a timeframe for a complete review of all files on all tanks in the Province based on this trial area;

- at that time, it had not completed the systematic review; therefore, it did not have a firm estimate of the time required to review the files for all tanks in the Province. In addition, future work for the remainder of the Province would proceed expeditiously. Based on this work to date, it estimated that a complete review of the files would take two years; and

- it was committed to complete this systematic review and anticipated that it would be able to provide a more definitive completion date by September 2010 when the review of tanks on the Avalon Peninsula was completed or near completed.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The Department of Environment and Conservation has completed its review of all files related to fuel storage tanks as far west as the Gander region. Department staff continue to work as time permits on this review. The Department anticipates completion by September 2011."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Petroleum Storage Systems
(2005 Annual Report, Part 2.6; Updates: 2007, Part 3.2.8; 2009, Part 2.7; 2010, Part 2.13)

PART 2.14

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

MULTI-MATERIALS STEWARDSHIP BOARD
USED TIRE RECYCLING PROGRAM

**(2008 ANNUAL REPORT, PART 2.6;
UPDATE: 2010, PART 2.10)**

Used Tire Recycling Program
(2008 Annual Report, Part 2.6; Update: 2010, Part 2.10)

Introduction

Our 2008 Annual Report included a review of the Used Tire Recycling Program at the Multi-Materials Stewardship Board (MMSB). We conducted our review to determine whether:

- MMSB was attaining its goal of collecting, processing, and marketing processed used tires;
- There were adequate management information systems in place to administer the Program throughout the Province;
- The Program was adequately funded from levies and related remittances; and
- MMSB was complying with requirements of governing legislation including *Waste Management Regulations, 2003* under the *Environmental Protection Act.*

What we found

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

One of the goals of the Multi-Materials Stewardship Board (MMSB) had been to collect, process, and market processed used tires under the Used Tire Recycling Program. As a result of our review, we concluded that the MMSB had not been able to ensure that the objectives of the Used Tire Recycling Program had been met.

Since the Program's inception in April 2002, there had been two failed attempts at contracting out the combined used tire collection, transportation, and processing/recycling functions with private operators. Since the MMSB took over the operations of the Program in June 2004, it put an infrastructure in place for the collection and temporary storage of used tires; however, an additional attempt to attract a private operator to take over the processing/recycling side of the operations in 2005 was also unsuccessful.

More than four years after MMSB took over operations of the Used Tire Recycling Program as an interim measure; there was still no solution in place for the processing/recycling of used tires.

In particular, our review indicated the following:

- MMSB had a used tire recovery rate of only 57% for 2007-08. This was considerably lower than their target recovery rate of 70% and the 80% that would be expected in a mature market. There had been no recent promotional efforts and only limited initiatives by MMSB to improve the recovery rate.

- At 31 March 2008, there were 1.3 million tires in stockpiles (1.2 million at Placentia and .1 million at Bull Arm) awaiting a processing solution. Since 2002, MMSB had not been able to arrange a processing/recycling solution to deal with the mounting inventory of used tires in the Province.

- There were safety concerns related to the interim storage of .1 million used tires at the Bull Arm site.

- Since the inception of the Used Tire Recycling Program in April 2002 to 31 March 2008, MMSB had tire levy revenues totalling $8,882,000 and expenses totalling $8,858,000, resulting in a very small surplus of $24,000. This shows that although there were 1.3 million unprocessed used tires in the Province at 31 March 2008, MMSB did not have the funds within this Program to pay for processing/recycling.

  As a result of the continued maintenance of a large inventory of used tires pending a solution for used tire processing, MMSB had and would continue to pay significant interim contingency costs. For the period 1 June 2004 to 31 March 2008 the cost of storage of tires with a private contractor in Placentia was $2.1 million. As a result of having no processing/recycling solution implemented, these storage costs continued to escalate. For 2008, storage costs totalled $663,000. Given the steady increase in the tire inventory, and without a processing/recycling solution, storage costs would continue to increase and could reach $850,000 for 2009 and more than $1 million for 2010.

  In addition to the $2.1 million of storage costs, MMSB had incurred $1.8 million relating to other takeover costs since the Program was assumed from a private operator in June 2004.

- At 31 March 2008, MMSB was seeking Government approval for a proposed in-Province tire processing solution resulting in a tire derived aggregate (TDA) for civil engineering applications. Under the plan, one time costs of at least $5.7 million in total were estimated for processing existing inventory, transporting aggregate to civil engineering projects, and continued interim storage costs at Placentia.

  MMSB had indicated that funds required for the planned initiative were not available from the Used Tire Recycling Program and would have to be obtained from another MMSB source, most likely the Used Beverage Container Recycling Program. This meant that at least in the short-term, a portion of the surplus proceeds from deposits paid by consumers on beverage containers would be needed to subsidize the Used Tire Recycling Program.

MMSB also indicated that, under the latest TDA proposal, existing levies charges on new tires needed to be raised an estimated $1.50 to $2.00 per tire sold in order to sustain the continued future operations of the Used Tire Recycling Program.

Our follow-up

In our 2010 Update Report we concluded that three of the original 2008 recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the MMSB requesting an update as to what progress had been made on the three recommendations as of 31 March 2011. The recommendations are as follows:

1. *The MMSB should ensure that efforts are made to investigate why the used tire recovery rates are declining and that used tires are being recovered at an acceptable rate.*

2. *Government should ensure that a solution is found to the growing level of stockpiles of ATV and off road tires at dealer sites.*

3. *The MMSB should, in conjunction with Government, take the necessary steps to ensure that a sustainable Used Tire Recycling Program is put in place which meets all its objectives of collecting, transporting, processing and recycling of used tires.*

Information we requested

The MMSB was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Used Tire Recycling Program
(2008 Annual Report, Part 2.6; Update: 2010, Part 2.10)

Overall conclusion

While the Multi-Materials Stewardship Board has made progress in addressing the recommendations from our 2008 Annual Report, three of the original four recommendations had only been partially implemented.

We agree with the MMSB's position that recommendation numbers 1, 2 and 3 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the MMSB will need to:

- conclude its analysis on the statistical measurement of the effectiveness of used tire recovery efforts;
- undertake expanded promotional efforts of the Used Tire Recycling Program;
- incorporate the policy direction on ATV tires provided by the Department of Environment and Conservation into the Used Tire Recycling Program; and
- put in place a sustainable Used Tire Recycling Program which meets all its objectives of collecting, transporting, processing and recycling of used tires.

Recommendation No. 1

The MMSB should ensure that efforts are made to investigate why the used tire recovery rates are declining and that used tires are being recovered at an acceptable rate.

Entity's response from previous report

In 2010, the MMSB informed us that:

- The recovery rate documented in our 2008 Annual Report of 57% for the fiscal year 2007-08 was an anomaly year. Recovery rates for used tires vary from year to year due to a number of factors, not the least of which was that new tires had a relatively long but somewhat unpredictable "life span" extending over several years before they were discarded and made available for recycling. Fiscal 2008-09 saw a recovery rate of 61% and fiscal 2009-10 was trending at a recovery rate of 66%.

- it was investigating whether there was a more appropriate statistical measure of the effectiveness of recovery efforts than the current ratio of used tires collected to new tires sold. It was expected to have the results of this analysis during the 2010-11 fiscal year. As well, MMSB was planning to undertake expanded promotional efforts of the Used Tire Recycling Program in 2010-11 to increase awareness of the Program and the number of tires collected.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"As indicated in MMSB's response to the Auditor General's January, 2009 report, the recovery rate documented in the Auditor General report of 57% for the fiscal year 2007-08 was an anomaly year. Recovery rates for used tires vary from year to year due to a number of factors, not the least of which is that new tires have a relatively long but somewhat unpredictable "life span" extending over several years before they are discarded and made available for recycling. The recovery rate for 2010-11 is currently at 65%, the highest level in 5 years.*

MMSB has been investigating statistical methods of determining recovery rates and is awaiting a final report from a statistical agency regarding how we report our recovery rate. Preliminary results of this examination indicate that methods used are in keeping with other provinces.

To coincide with the spring 2011-12 tire change-over season MMSB has commenced promotional efforts around the Used Tire Recycling Program; MMSB has every intention to undertake increased promotional efforts in hopes of creating awareness and subsequent recovery rate increases as part of the used tire strategy which is to be announced soon."

Our conclusion

Follow-up Required

We agree with the MMSB's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the MMSB will need to:

- conclude its analysis on the statistical measurement of effectiveness of used tire recovery efforts; and

- undertake expanded promotional efforts of the Used Tire Recycling Program.

Recommendation No. 2

Government should ensure that a solution is found to the growing level of stockpiles of ATV and off road tires at dealer sites.

Entity's response from previous report

In 2010, the MMSB informed us that:

- The Department of Environment and Conservation had provided the MMSB with policy direction with respect to ATV tires, which would be incorporated into the Used Tire Recycling Program when a decision was reached on the processing solution for the Program;

- With respect to Off-The-Road (OTR) tires, the Department of Environment and Conservation and the Department of Government Services were working with relevant municipal authorities to clarify the requirement of landfills to accept OTR tires. The Department of Municipal Affairs had recently funded the purchase of shears for the Robin Hood Bay Regional Landfill site to allow for the shearing of OTR tires into smaller, more manageable pieces. These shears would also be periodically made available to Central Waste Management's Regional landfill site in Norris Arm and the Regional Facility serving the Western Region; and

- The Robin Hood Bay Regional Landfill site had advised in March that they were able to accept OTR tires for shearing on a by-appointment basis. While OTR tires were not part of the Used Tire Recycling Program run by MMSB, the Board did proactively communicate this information to the main OTR tire generators in the region for their consideration. The MMSB anticipated that action would be taken to dispose of these used OTR tires over the coming months.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*The Department of Environment and Conservation has provided the MMSB with policy direction with respect to ATV tires, which will be incorporated into the Used Tire Recycling Program once the processing solution has been implemented.*

With respect to Off-The-Road (OTR) tires, the Department of Government Services has updated the Certificates of Approvals for landfill owners clarifying the requirement of landfills to accept OTR tires.

Following the receipt of the shear from the Department of Municipal Affairs, Robin Hood Bay has hosted two separate clean up opportunities (Spring and Fall of 2010) at which time OTR tires were accepted at Robin Hood Bay for disposal. On a continued basis, Robin Hood Bay anticipates designating 2 separate weeks per year (Spring and Fall) for this purpose. The intention of the purchase of the shears is to periodically make them available to other areas of the province and this process has already begun; plans are currently in place [to] ship the shear to Corner Brook this spring."

Our conclusion

Follow-up Required

We agree with the MMSB's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the MMSB will need to incorporate the policy direction on ATV tires provided by the Department of Environment and Conservation into the Used Tire Recycling Program.

Recommendation No. 3

The MMSB should, in conjunction with Government, take the necessary steps to ensure that a sustainable Used Tire Recycling Program is put in place which meets all its objectives of collecting, transporting, processing and recycling of used tires.

Entity's response from previous report

In 2010, the MMSB informed us that:

- The MMSB was working aggressively with a private sector proponent with an end-use recycling option which offered good potential to meet the objectives of the Used Tire Recycling Program and the Provincial Solid Waste Management Strategy. Continuous efforts were being made to advance this option as it could provide for numerous long term benefits both to the Province and to the long term sustainability of the Program;

- The proponent was working closely with the MMSB and other Government departments to complete final modelling and testing, and it was anticipated that this work would be completed over several months. If the outcomes of this work were positive, MMSB would make a formal recommendation to the Minister of Environment and Conservation. In the event the proposal was not positive, or not approved by the Minister, the MMSB had two other alternatives which could be quickly pursued to provide a long term solution for the recycling of used tires; and

- Under the direction of the Board's new CEO, the MMSB had also been reviewing various operational elements of the Used Tire Recycling Program, with the intent to identify ways to reduce costs, and improve effectiveness and efficiency of the Program, taking into consideration the potential processing alternatives being considered.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*MMSB has announced it has reached agreements with two end users in Quebec for immediate removal of the Placentia tire stockpile. The stockpiled tires are currently being baled in preparation for shipping. Baling passenger tires hydraulically compacts the tires into block form achieving a 4:1 ratio on space savings and reduces transportation costs.*

Concurrent to shipping the stockpile of tires to Quebec, MMSB will continue to review the economic viability of alternative processing solutions for the tires that are collected through the Used Tire Recycling Program on an annual basis in an effort to reduce our exposure to export costs and risks."

Our conclusion

Follow-up Required

We agree with the MMSB's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the MMSB will need to put in place a sustainable Used Tire Recycling Program which meets all its objectives of collecting, transporting, processing and recycling of used tires.

PART 2.15

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

MULTI-MATERIALS STEWARDSHIP BOARD
USED BEVERAGE CONTAINER RECYCLING PROGRAM

**(2008 ANNUAL REPORT, PART 2.7;
UPDATE: 2010, PART 2.11)**

Used Beverage Container Recycling Program
(2008 Annual Report, Part 2.7; Update: 2010, Part 2.11)

Introduction

Our 2008 Annual Report included a review of the Used Beverage Container Recycling Program at the Multi-Materials Stewardship Board (the MMSB). We conducted our review to determine whether the MMSB:

- had achieved established target recovery rates for beverage containers in the Province;
- was in compliance with legislation and policies; and
- had adequate policies and procedures to manage the Green Depot, transportation and processing contracts.

What we found

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

- The MMSB was not achieving its targeted recovery rates with regards to used beverage containers. The Program had a targeted return rate of 70% of containers while the actual rate has averaged at 68% over the past three years.
- There were questions around the financial viability of the Program if recovery rates increase. MMSB indicated that a recovery rate beyond 75% would not be sustainable by the Program. The Program was able to operate only due to the volume of containers that were not redeemed by the public. Costs to operate the Program had increased by 31.3% over five years while the revenues increased by only 20.3% in the same period.
- The number of containers that were not being returned for recycling was increasing. In 2006, 62.2 million containers were not returned while in 2008, 66.4 million containers were not returned.
- There were instances of non-compliance with the *Public Tender Act* such as 37 Green Depot Operators contracts that had expired being extended on a monthly basis without any public tender call and 2 operators being awarded contracts without exemption by Cabinet to avoid a call for public tender.
- There were deficiencies in how the MMSB monitored contract requirements. Service providers were not required to provide proof of insurance during the term of the contract and information on file was limited as to whether these providers had any insurance beyond the initial year of a contract. Service providers were not required to provide a certificate of good standing with the Workplace Health, Safety, and

Compensation Commission even though it was required for the bidding process. Performance bonds were not assessed or monitored over the duration of the contract period.

- There were weaknesses in internal controls found in operations in Labrador that resulted in overpayments in excess of $200,000 that had not been fully addressed.

Our follow-up

In our 2010 Update Report we concluded that 3 of the original 8 recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the MMSB requesting an update as to what progress had been made on the 3 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Multi-Materials Stewardship Board (MMSB) should improve efforts to increase the actual used beverage container recovery rate and reduce the number of units finding their way into landfills.*

2. *The Multi-Materials Stewardship Board should develop initiatives to increase the target recovery rate beyond 70%.*

3. *The Multi-Materials Stewardship Board should address the issue of a declining break-even point with the objective of increasing financial viability of the Program beyond a 75% recovery rate.*

Information we requested

The MMSB was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Used Beverage Container Recycling Program
(2008 Annual Report, Part 2.7; Update: 2010, Part 2.11)

Overall conclusion

While the MMSB has made progress in addressing the recommendations from our 2008 Annual Report, 2 of the original 8 recommendations had only been partially implemented.

We agree with the MMSB's position that recommendation numbers 2 and 3 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the MMSB will need to:

- demonstrate that the changes to the Program have had a positive impact; and
- demonstrate that actions have been taken to address the declining break-even point and improve the financial viability of the Program.

We agree with the MMSB's position that the recommendation number 1 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Multi-Materials Stewardship Board (MMSB) should improve efforts to increase the actual used beverage container recovery rate and reduce the number of units finding their way into landfills.

Entity's response from previous report

In 2010, the MMSB indicated that it had altered the transportation and processing arrangements with Green Depots to improve the levels of service available at these depots. These changes would significantly reduce the situations where a depot would close unexpectedly or refuse to accept certain materials.

As well, the MMSB introduced a new licensing regime and standard requirements for Green Depots to improve the level of customer service (through benchmarks on waiting time and new signage rules) and revising geographic service areas to reduce the distances required to travel to a depot. Green Depots were noted to be committed to these changes and were expected to be within compliance by July 2010. Depots were also provided the opportunity to avail of an annual grant for $2,000 to increase awareness of their services within communities. The MMSB anticipated that these new measures would provide for increases in the overall recovery rates realized as a result of a better recycling experience for customers.

MMSB also indicated that, with the measures above enacted, it intended to increase its communications support for the program, commencing with the launch of a new awareness campaign in the summer / fall of 2010.

Finally, the MMSB noted that recent investments in the waste handling capacity of the Eastern Waste Management Committee would allow for the City of St. John's to enact a curbside recycling program (to commence in the Fall of 2010). MMSB expected the new program to increase used beverage container recovery rates over time, but noted that it was difficult to predict the effect at the time of its response.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"Transportation and Processing arrangements were altered and improved upon in 2009-10. July 2011 will mark the second year anniversary of entering into the new arrangements and Green Depot closures or refusal to accept certain products has been reduced by 100%. There have been no reported "unexpected closures" or refusal of product within the 2010-11 fiscal year.*

With the exception of three Green Depots, all Green Depots and Sub Depots are now in compliance with MMSB's new standards and are being assessed twice a year to ensure their continued adherence. The remaining three Green Depots were given an extension in order to deal with major structural renovations. It is anticipated that the remaining three will be up to standard in 2011.

In the fall of 2010, MMSB launched an advertising campaign in an effort to increase its communications support for the Used Beverage Recycling Program. In addition, the City of St. John's curbside recycling program commenced in October 2010, but given that it has only been operational for 7 months and the lack of statistical data on the participation rates of program, it is still difficult to predict the potential impact on the recovery rate. Potential impacts that marketing efforts and the introduction of curbside recycling programs will have on the recovery rate will not be fully understood in the short-term, rather the likely affects will be experienced over the longer term.

Along with the improvements made with Green Depots the progress made with the City of St. John's curbside recycling program, we are committed to finding additional ways to increase the recovery rate for the beverage program particularly given that curbside recycling programs are not yet available in the central and western regions of the province. Research will be carried out to gain a better understanding of the participation in the Used Beverage Container Recycling Program."

Our conclusion

Follow-Up Not Required

We agree with the MMSB's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Multi-Materials Stewardship Board should develop initiatives to increase the target recovery rate beyond 70%.

Entity's response from previous report

In 2010, MMSB indicated that the new initiatives noted in the prior monitoring item (better transportation and processing arrangements and a new licensing and standards regime), the Board has taken steps to strengthen the used beverage recycling program. The Board anticipated that these changes would improve services related to the program and combined with more aggressive advertising, the recovery rate for used beverage containers would improve. As well, the introduction of curbside recycling was expected to have a positive impact on recovery rates over time. MMSB also indicated that recovery targets would be revised when the impact of the curbside programs were evaluated.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*MMSB has taken the necessary steps to strengthen the Used Beverage Container Program. Transportation and Processing arrangements have been improved significantly and all Green Depots (with the exception of the three that were given extensions) are currently meeting the required standards. As consumer confidence is regained in the program, MMSB anticipates that it will result in improved recovery rates. As well, the City of St. John's new curbside recycling program*

should have a positive impact on recovery rates over time, but it is still too early to predict the impact on the recovery rate. MMSB intends to conduct research to get a better understanding of the participation in the Used Beverage Container Recycling Program and any potential barriers to participation and once there is a better understanding of the long-term impacts of the Green Depot improvements and curbside recycling programs, we can look at the appropriate changes in the recovery rate."

Our conclusion

Follow-up Required

We agree with the MMSB's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the MMSB will need to demonstrate that the changes to the Program have had a positive impact.

Recommendation No. 3

The Multi-Materials Stewardship Board should address the issue of a declining break-even point with the objective of increasing financial viability of the Program beyond a 75% recovery rate.

Entity's response from previous report

In 2010, MMSB indicated that there were a number of factors that could affect the long-term viability of the program and the associated break-even recovery point. It noted that similar concerns affected depots across Canada and that the curbside recycling program could increase recoveries beyond the 75% level reference in the Auditor General's report.

MMSB also indicated that the program could be affected by the global economic downturn and innovations in transportation or point-of-sale technologies. The Board stated that it would continue to monitor the impact of these and other trends on the viability of the program and assess what actions (if any) should be implemented to deal with these impacts.

MMSB believed it had the surplus funds available to handle short-term shortfalls that might arise and that they would have enough time to assess and implement corrective actions to ensure the long-term viability of the UBC program.

Used Beverage Container Recycling Program
(2008 Annual Report, Part 2.7; Update: 2010, Part 2.11)

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"As part of our new three year strategy, MMSB intends to assess the financial needs of the organization, which will include an assessment of the stability and long-term financial viability of the Used Beverage Container Recycling Program."*

Our conclusion

Follow-up Required

We agree with the MMSB's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the MMSB will need to demonstrate that actions have been taken to address the declining break-even point and improve the financial viability of the Program.

Used Beverage Container Recycling Program
(2008 Annual Report, Part 2.7; Update: 2010, Part 2.11)

PART 2.16

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

MULTI-MATERIALS STEWARDSHIP BOARD
NEWFOUNDLAND AND LABRADOR
WASTE MANAGEMENT TRUST FUND

**(2008 ANNUAL REPORT, PART 2.8;
UPDATE: 2010, PART 2.12)**

Newfoundland and Labrador Waste Management Trust Fund (2008 Annual Report, Part 2.8; Update: 2010, Part 2.12)

Introduction

Our 2008 Annual Report included a review of the Waste Management Trust Fund at the Multi-Materials Stewardship Board (the MMSB). We conducted our review to determine whether MMSB:

- complied with the *Environmental Protection Act* and the *Waste Management Regulations, 2003*;
- complied with the established guidelines for the approval of funding from the Trust Fund;
- had established criteria for the monitoring and inspection of approved projects for compliance with funding conditions and whether such criteria was being complied with; and
- had a strategy for how the Trust Fund would be used for waste management initiatives.

What we found

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

There were issues with governance, the relationship between the Department of Environment and Conservation and the MMSB, and the Trust Fund. Details are as follows;

- Contrary to good governance practice which requires that the same person not hold the offices of Chairperson and Chief Executive Officer simultaneously, at the MMSB one individual served as both Board Chair and CEO.
- The MMSB Strategic Plan for 2004-2010 identified a number of significant concerns relating to the relationship between the Department of Environment and Conservation and the MMSB.
- The MMSB had significant funds in its accounts and in its Trust Fund which, at 31 March 2008 totalled $18.6 million. These funds were collected to fund waste management initiatives around the Province, but of the $25.2 million transferred to the Fund, only $12.9 million had actually been used.
- The MMSB did not appear to be proactive in identifying and pursuing significant waste management initiatives aside from approving applications for funding.

- There were no established criteria as to how much or how often funds were transferred into the Trust Fund.

- Not all applications that were received by the MMSB were reviewed by the Board before a recommendation was made to the Minister of Environment and Conservation.

- No formal method of site inspection existed for reviewing applicants that received funding.

- There were issues with the consistency of supporting documentation and compliance with program guidelines.

- There were instances of inconsistent treatment of applicants.

Our follow-up

In our 2010 Update Report we concluded that 2 of the original 8 recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the MMSB requesting an update as to what progress had been made on the 2 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The offices of Chairperson and Chief Executive Officer of the Multi-Materials Stewardship Board should not be held simultaneously by the same person.*

2. *The Minister of Environment and Conservation and the MMSB should consider adopting a formal process for the transfer of funds from the MMSB recycling operations to the Waste Management Trust Fund.*

Information we requested

The MMSB was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Newfoundland and Labrador Waste Management Trust Fund (2008 Annual Report, Part 2.8; Update: 2010, Part 2.12)

Overall conclusion

While the MMSB has made progress in addressing the recommendations from our 2008 Annual Report, 1 of the original 8 recommendations had only been partially implemented, and 1 had not been implemented.

We agree with the MMSB's position that recommendation number 2 has been partially implemented and therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, the MMSB will need to demonstrate that it has created a policy that actively monitors the health of the Trust Fund and provides a clear set of guidelines as to when capital is to be transferred into the Trust Fund and the amount of that transfer.

We disagree with the MMSB's position that recommendation number 1 has been partially implemented because the MMSB has not divided the responsibilities of the Chair and CEO of the Board or made a final decision as whether or not to do so. We maintain that the positions should not be held by the same person simultaneously. However, given the MMSB's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 1

The offices of Chairperson and Chief Executive Officer of the Multi-Materials Stewardship Board should not be held simultaneously by the same person.

Entity's response from previous report

In 2010, the MMSB informed us that it recognized the Auditor General's views on the potential conflict of interest that exists by having the Chair and CEO as the same individual and have taken his views under advisement.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"MMSB recognizes the Auditor General's views on the potential conflict of interest that exists by having the Chairperson and the CEO as the same individual and continues to review its governance practices and policies as part of a Board renewal process."*

Newfoundland and Labrador Waste Management Trust Fund (2008 Annual Report, Part 2.8; Update: 2010, Part 2.12)

Our conclusion

Follow-Up Not Required

We disagree with the MMSB's position that this recommendation has been partially implemented because the MMSB has not divided the responsibilities of the Chair and CEO of the Board or made a final decision as whether or not to do so. We maintain that the positions should not be held by the same person simultaneously. However, given the MMSB's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 2

The Minister of Environment and Conservation and the MMSB should consider adopting a formal process for the transfer of funds from the MMSB recycling operations to the Waste Management Trust Fund.

Entity's response from previous report

In 2010, the MMSB informed us that it was entering the final year of its three-year strategic plan and would be developing a new three year strategy for the consideration of the Minister. It noted that there were sufficient funds in the Waste Management Trust Fund to cover existing and anticipated expenditures for the new fiscal year. The Board believed it would be prudent to determine the policy directions and funding requirement that may come from its strategic review, in advance of developing any new policies or processes on the future funding of the Fund.

Entity's response to current request

In 2011, the MMSB informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The MMSB is currently finalizing its 2011-2014, 3 year strategic plan. Upon approval of the new strategic plan, MMSB will undertake work to assess the long-term financial requirements of the organization and the Waste Management Trust Fund, which will include the development of a new policy or process for the transfer of funds from the MMSB recycling operations to the Waste Management Trust Fund, this is envisioned to be completed in 2011-12."*

Newfoundland and Labrador Waste Management Trust Fund (2008 Annual Report, Part 2.8; Update: 2010, Part 2.12)

Our conclusion

Follow-up Required

We agree with the MMSB's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the MMSB will need to demonstrate that it has created a policy that actively monitors the health of the Trust Fund and provides a clear set of guidelines as to when capital is to be transferred into the Trust Fund and the amount of that transfer.

Newfoundland and Labrador Waste Management Trust Fund (2008 Annual Report, Part 2.8; Update: 2010, Part 2.12)

PART 2.17

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

ADMINISTRATION AND MANAGEMENT OF CROWN LANDS

(2009 ANNUAL REPORT, PART 2.4)

Administration and Management of Crown Lands (2009 Annual Report, Part 2.4)

Introduction

Our 2009 Annual Report included a review of the administration and management of Crown Lands at the Department of Environment and Conservation (the Department). We conducted our review to determine whether the Department had adequate systems, procedures and plans in place to administer and manage Crown land. In particular, whether there were:

- information systems in place to identify and determine land use; and
- inspection programs to ensure compliance with legislation.

What we found

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

Illegal Occupation of Crown Land

The Branch did not maintain an adequate database of information on inspections, removal notices and final disposition of required actions. As a result, the Branch did not have information readily available to manage this activity. For example:

- For fiscal years 2005 to 2009, the Branch issued 1,151 removal notices. The Branch could not readily determine the status of 726 or 63.1% of the removal notices and whether structures were legal, had applications to legalize in progress, were removed or continued to illegally occupy Crown land.
- The Branch had difficulty in readily providing complete information on its inspection activities as evidenced by the fact that we had difficulty obtaining and analyzing the information provided by the Branch with respect to inspections of illegal structures.
- Only the Western Region maintained a database on complaints. The Branch could not readily provide us with the number, nature or resolution of complaints received at the other three regional offices.

The Branch estimated that there were in excess of 4,000 recreational campers illegally occupying Crown lands on a long-term basis. The Branch had only recently started to take action to curb this practice and, as at November 2009, had only been successful in removing approximately 600 structures from 10 of the 42 known sites.

The Branch had no inspection report that could be used by inspectors to record and attest to the results of inspections carried out. Furthermore, an inspection report would be a necessary source document to populate an information database.

No Inspection Program for Shoreline Crown Land

The Branch did not have an inspection program to address the illegal occupation of shoreline Crown land to determine whether such things as wharves, boathouses and other structures existed without a proper licence. As at 31 December 2008, the Department had issued approximately 9,300 grants for the purpose of recreational cottages; however, only 179 licences were issued for the purpose of wharves and boathouses.

No Inspection Program for Compliance with Leases and Licences

The Branch did not have an inspection program to determine whether there was compliance with the terms and conditions of the approximately 22,600 leases and licences which had been issued up to December 2008. The only inspection activity carried out by the Branch related to ad hoc inspections performed during other activities.

Humber Valley Resort Corporation

In April 2001, the Humber Valley Resort Corporation entered into a five-year lease with the former Department of Government Services and Lands relating to 160 hectares of land. In August 2005, the Corporation entered into a five-year lease with the Department relating to an additional 613 hectares of land.

The Branch granted the Corporation all 160 hectares of land under the 2001 lease without completing an inspection to confirm that development conditions under the lease were complied with. The Branch entered into the 2005 lease without confirming that development under the 2001 lease had been completed as required.

Under the terms and conditions of the 2005 lease, the Branch issued grants to the Corporation for the development of 71 chalet lots. The Corporation was required to pay a 6% premium on the greater of the fair market value or the actual purchase price of each chalet lot sold. The Branch did not obtain a purchase and sale agreement that was signed by the Corporation and the chalet lot purchaser indicating an agreed upon purchase price, and did not determine the fair market value of the chalet lots in relation to the purchase price as required under the lease. As a result, the Branch could not demonstrate whether the 6% market value premiums paid by the Corporation were appropriate.

The terms and conditions of the 2001 lease were favorable to the Corporation compared to the 2005 lease.

Geographic Information System (GIS)

We found instances where the data in the GIS was outdated, inaccurate and incomplete. For example:

- We found numerous thematic layers of data provided by other Departments which have not been updated since 2006.

- We found instances where the purpose and total area of grants issued was incorrect or was not recorded at all, lease expiry dates were incorrectly recorded, leases that were converted to grants were not closed, and licences were recorded as leases.

- Approximately 4,600 Crown titles covering 840,000 hectares have yet to be plotted in the GIS due to missing records or inadequate survey and/or base map information.

- The Branch did not know the extent of the land within Reid lots that had been sold privately prior to reacquisition by Government and therefore would not be Crown land.

Branch officials indicated that the master file of GIS data could not be accessed by staff efficiently because the server was being used well beyond its capacity.

Geomatics Strategy

Branch officials could not demonstrate whether the Geomatics Strategy Implementation Plan developed in 1999 was ever reviewed and approved by the Steering Committee or presented to Government for final approval. Furthermore, there had been no meeting of the Steering Committee since approximately the year 2000 and the Lands Branch made no formal reference to the plan. A Technical Committee comprised of GIS users throughout Government and chaired by the Lands Branch informally addressed the spirit of the GIS component of the Strategy; however, Branch officials indicated that this committee required guidance from the executive level of Government to resolve a number of GIS issues.

Our follow-up

In March 2011, we contacted the Department requesting an update as to what progress had been made on the recommendations in our 2009 Report as of 31 March 2011. The recommendations are as follows:

1. *The Department should determine whether the Geomatics Strategy Implementation Plan was approved by Government.*

2. *The Department should review the Geomatics Strategy Implementation Plan to determine whether it is still relevant.*

3. *The Department should resolve the issues raised by the GIS Technical Committee and Branch officials.*

4. *The Department should update the Land Use Atlas.*

5. *The Department should plot all Crown titles in the GIS where possible.*

6. *The Department should ensure data is keyed accurately into the AMANDA database.*

7. *The Department should ensure that computer systems are capable of providing updated GIS data in a timely manner.*

8. *The Department should determine the extent of private ownership of the Reid lots that were reacquired.*

9. *The Department should determine whether structures in connection with 726 outstanding removal notices issued since 2005 were legal, have applications to legalize in progress, were removed or still continue to illegally occupy Crown land.*

10. *The Department should develop an inspection report(s) that can be used by inspectors to record and attest to the results of inspections carried out.*

11. *The Department should establish a database to capture data recorded on the inspection report in an accurate, complete and timely manner.*

12. *The Department should establish a database to record and monitor the disposition of complaints that are received.*

13. *The Department should ensure that regional managers regularly monitor database reports on inspection activity and complaint investigations.*

14. *The Department should consider whether the Branch has sufficient inspectors to carry out inspections in connection with the illegal occupation of Crown land and complaint investigations.*

15. *The Department should take action to remove all structures known to be illegally occupying Crown land.*

16. *The Department should plan and carry out inspections to determine the illegal occupation of shoreline Crown land.*

17. *The Department should develop an inspection program to ensure that the terms and conditions of leases and licenses are being complied with.*

18. *The Department should consider whether there are sufficient staff resources to plan and carry out compliance inspections.*

19. *The Department should review the 137 expired leases in the AMANDA database, and correct, close or carry out inspections of expired leases where necessary.*

20. *The Department should ensure that grants pursuant to leases are only issued when the development terms and conditions stated in the leases are complied with.*

21. *The Department should ensure that grants pursuant to leases are only issued when there is documentation that supports the consideration calculated and paid in accordance with the terms of the lease.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Administration and Management of Crown Lands (2009 Annual Report, Part 2.4)

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2009 Annual Report, 8 of the original 21 recommendations had only been partially implemented, and 2 had not been implemented.

To fully implement the recommendations, the Department will need to:

- establish the Geomatics Steering Committee.
- complete its upgrade of the LUA as planned;
- act upon the evaluation of the GIS Technical Committee and upgrade the Land Use Atlas;
- complete the work necessary to legalize or remove all of the structures in connection with the 726 outstanding removal notices identified in our report;
- complete the implementation of the database within its computerized application management system in order to manage and monitor complaints, inspections and enforcement activities;
- take action to remove the remaining structures known to be illegally occupying Crown land; and
- complete its inspection activity and issue grants, renew or cancel leases where appropriate for the remaining 86 files related to expired leases.

We agree with the Department's position that recommendation numbers 3, 4, 7, 9, 11, 12, 15, and 19 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department's position that recommendation numbers 1, 2, 5, 6, 8, 10, 13, 14, 18, 20 and 21 have been fully implemented and, therefore, no further follow-up is required.

We disagree with the Department's position that recommendation number 16 has been partially implemented because the Department addresses the illegal occupation of shoreline Crown land through the investigation of complaints and other inspections. We maintain that the Department should formally plan and carry out inspections to determine the illegal occupation of shoreline Crown land. However, given the Department's position on this recommendation, further follow-up will be of no further benefit.

We disagree with the Department's position that the recommendation number 17 has been fully implemented because the Department completes compliance inspections in conjunction with other field activities and also obtains sworn affidavits. We maintain that the Department should develop a formal inspection program to ensure that the terms and conditions of leases and licenses are being complied with. However, given the Department's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 1

The Department should determine whether the Geomatics Strategy Implementation Plan was approved by Government.

Entity's response from previous report

In 2009, the Department informed us that it would determine whether the Geomatics Strategy Implementation Plan was approved by Government.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The Department has determined the Geomatics Strategy Implementation Plan was approved by Government in 1990."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department should review the Geomatics Strategy Implementation Plan to determine whether it is still relevant.

Entity's response from previous report

In 2009, the Department informed us that it would review the relevance of the Geomatics Strategy Implementation Plan.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The Department has reviewed the Geomatics Strategy Implementation Plan and has determined that it is still relevant. The Department and the Office of the Chief Information Officer continue to collaborate on the advancement of GIS in Government and are in the process of scoping the implementation plan to ensure integration throughout government."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should resolve the issues raised by the GIS Technical Committee and Branch officials.

Entity's response from previous report

In 2009, the Department informed us that:

- the GIS Technical Committee was established to coordinate technical issues related to GIS software, and had regular meetings with minutes and action items; and
- it was continuing discussions with the OCIO with regards to improvements in GIS hardware and system architecture.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"Technical issues arise and are addressed on an ongoing basis. Through the Geomatics Steering Committee, GIS Software has been standardized in government and most, if not all, GIS users now use the same software and base maps so that the thematic layers created by all Government GIS users can be overlaid and displayed at the same time.

GIS development in hardware and system architecture must compete for funding and resources with IT requirements within government. While advances are occurring, funding is limited and further investment is required to establish a government wide system.

The GIS Technical Committee was established to coordinate the technical issues related to GIS software, base maps and data standards. The GIS Technical Committee has regular meetings, with minutes and action items arising out of each session. Each action item is assigned a lead person who is responsible for related investigation and follow-up. This may involve the establishment of sub-committees to develop a plan to resolve the item or recommend a specific course of action.

The Geomatics Steering Committee will continue to provide direction and guidance to the GIS Technical Committee on the issues raised."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, the Department would need to establish the Geomatics Steering Committee.

Recommendation No. 4

The Department should update the Land Use Atlas.

Entity's response from previous report

In 2009, the Department informed us that:

- the Land Use Atlas would not become fully up to date until Land Use Atlas datasets were available on the Map Resource Center; and
- it was working with OCIO to make improvements to the Land Use Atlas for service delivery.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Land Use Atlas (LUA), as currently structured, is being updated on an "as needed" basis, as well as key layers being corrected as more accurate base layers are developed. The upgrading of the LUA has been identified as a priority project the Department of Environment and Conservation for the 2011/2012 fiscal year. This upgrade will allow real time access to all Government departments. Real time access will eliminate the need for a number of copies of the LUA. This will drastically reduce efforts required to distribute the database. In conjunction with the OCIO, a consultant has been selected and is now working with Land Management Division and all users of the LUA to assess and determine the necessary steps required to upgrade the Land Use. This project is now in the second phase (Analysis) which will be completed this fiscal year. This phase is an important undertaking that will support the overall success of a prospective Land Use Atlas Enhancements solution design, execution, and implementation. The Design, Implementation and Closing phases of the project should be completed next fiscal year."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete its upgrade of the LUA as planned.

Recommendation No. 5

The Department should plot all Crown titles in the GIS where possible.

Entity's response from previous report

In 2009, the Department informed us that it was endeavoring to plot all Crown titles on the GIS, however approximately 2,500 titles cannot be plotted due to lost, destroyed or poor title information.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"For well over 100 years the Crown has endeavoured to ensure that Crown titles are plotted and accurately reflected on best available mapping. Approximately 2,500 titles were lost in the Great St. John's fire of 1892, or are unplotted as a result of substandard plans and descriptions dating back over 100 years. It is impossible even with modern land surveying practices to locate and map these titles. Unfortunately, there is nothing the Department can do to remedy this problem."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

The Department should ensure data is keyed accurately into the AMANDA database.

Entity's response from previous report

In 2009, the Department informed us that:

- it would ensure data was keyed accurately into the AMANDA Database; and

- numerous errors had been identified and action was being taken to correct them by a resource person hired specifically for the administration of the system.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The Department has placed great emphasis on ensuring data is keyed accurately into the AMANDA database. While the percentage of errors relative to the size of the database is minimal, strides continue to totally eliminate these errors. Errors related to the accuracy of land area (hectares) have been identified and actioned by a resource person hired specifically for the administration of the system."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

The Department should ensure that computer systems are capable of providing updated GIS data in a timely manner.

Entity's response from previous report

In 2009, the Department informed us that it was working with the OCIO and the GIS Technical Committee to address concerns related to the timely updating of GIS data.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department is working with the OCIO to address concerns related to the timely update of GIS data. An evaluation has taken place by the GIS Technical Committee and actions to remedy these problems are expected. Once the Land Use Atlas is upgraded this recommendation will be fully implemented."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to act upon the evaluation of the GIS Technical Committee and upgrade the Land Use Atlas.

Recommendation No. 8

The Department should determine the extent of private ownership of the Reid lots that were reacquired.

Entity's response from previous report

In 2009, the Department informed us that:

- it would endeavor to determine the extent of private ownership of Reid lots acquired by Government; and
- given the magnitude of land ownership issues, combined with limited human resources, investigating private land sales on the former Reid lots acquired by the Crown could only be carried out when resources and time permitted.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"All known conveyances on the Reid lots have been identified, however due to there being no compulsory land registration in the Province, the unregistered titles may take many years to identify. The individual Reid Lots have been accurately plotted in the GIS and as more of the former private sales are identified to the Department, they will be incorporated into the GIS."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should determine whether structures in connection with 726 outstanding removal notices issued since 2005 were legal, have applications to legalize in progress, were removed or still continue to illegally occupy Crown land.

Entity's response from previous report

In 2009, the Department informed us that:

- it implemented a spreadsheet so that Regional Offices could monitor and manage the illegal occupation investigation process on a regular basis;
- it had identified the need for the development and implementation within its computerized application management system a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities; and
- the business rules for the creation of this folder had been defined and the folder development was 60% complete.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department is continuing its efforts to either legalize or remove those 726 illegal structures identified in the Auditor's Report. On a case by case basis those structures that cannot be legalized are being addressed in accordance with legislative processes."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete the work necessary to legalize or remove all of the structures in connection with the 726 outstanding removal notices identified in our report.

Recommendation No. 10

The Department should develop an inspection report(s) that can be used by inspectors to record and attest to the results of inspections carried out.

Entity's response from previous report

In 2009, the Department informed us that:

- it implemented a spreadsheet so that Regional Offices could monitor and manage the illegal occupation investigation process on a regular basis;
- it had identified the need for the development and implementation within its computerized application management system a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities; and
- the business rules for the creation of this folder had been defined and the folder development was 60% complete.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The Department has implemented this recommendation and developed an inspection report that is used by field staff to record and attest to the results of inspections carried out. A copy of report used has been provided to the Auditor General's Office."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 11

The Department should establish a database to capture data recorded on the inspection report in an accurate, complete and timely manner.

Administration and Management of Crown Lands (2009 Annual Report, Part 2.4)

Entity's response from previous report

In 2009, the Department informed us that:

- it implemented a spreadsheet so that Regional Offices could monitor and manage the illegal occupation investigation process on a regular basis;
- it had identified the need for the development and implementation within its computerized application management system a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities; and
- the business rules for the creation of this folder had been defined and the folder development was 60% complete.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department, as recommended, has developed a database within its computerized application management system in the form of a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities. Testing of this folder is underway, and will be implemented when the testing is complete. The final product will greatly aid analyzing real time illegal occupation and removal notices."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete the implementation the database within its computerized application management system in order to manage and monitor complaints, inspections and enforcement activities.

Recommendation No. 12

The Department should establish a database to record and monitor the disposition of complaints that are received.

Entity's response from previous report

In 2009, the Department informed us that:

- it implemented a spreadsheet so that Regional Offices could monitor and manage the illegal occupation investigation process on a regular basis;
- it had identified the need for the development and implementation within its computerized application management system a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities; and
- the business rules for the creation of this folder had been defined and the folder development was 60% complete.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department, as recommended, has developed a database within its computerized application management system in the form of a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities. Testing of this folder is underway, and will be implemented when the testing is complete. The final product will greatly aid analyzing real time illegal occupation and removal notices."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete the implementation the database within its computerized application management system in order to manage and monitor complaints, inspections and enforcement activities.

Recommendation No. 13

The Department should ensure that regional managers regularly monitor database reports on inspection activity and complaint investigations.

Entity's response from previous report

In 2009, the Department informed us that:

- it implemented a spreadsheet so that Regional Offices could monitor and manage the illegal occupation investigation process on a regular basis;
- it had identified the need for the development and implementation within its computerized application management system a folder dedicated specifically to manage and monitor complaints, inspections and enforcement activities; and
- the business rules for the creation of this folder had been defined and the folder development was 60% complete.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The Department has implemented this recommendation. Regional Managers regularly monitor reports on inspections and investigations. Necessary documentation has been provided to support this recommendation has been implemented."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 14

The Department should consider whether the Branch has sufficient inspectors to carry out inspections in connection with the illegal occupation of Crown land and complaint investigations.

Entity's response from previous report

In 2009, the Department informed us that it would evaluate whether there were sufficient inspectors to carry out inspections in connection with the illegal occupation of Crown land.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

'The Crown Lands Administration Division of the Department recently underwent an Organizational Review by the Public Service Secretariat. The report was finalized in January 2011 and addresses staffing levels. A copy has been provided to the Auditor General's Office."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 15

The Department should take action to remove all structures known to be illegally occupying Crown land.

Entity's response from previous report

In 2009, the Department informed us that it would address the removal of structures illegally occupying Crown land.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department continues to monitor and address illegal occupation on Crown land. Since 2009, the Department has taken action to have a further 626 structures (ie. trailers) removed, and has inspected additional sites to determine measures that are appropriate to address this activity."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to take action to remove the remaining structures known to be illegally occupying Crown land.

Recommendation No. 16

The Department should plan and carry out inspections to determine the illegal occupation of shoreline Crown land.

Entity's response from previous report

In 2009, the Department informed us that:

- inspections of shoreline Crown land were conducted during normal enforcement operations; and
- in 2009 it had identified 122 structures illegally occupying the shoreline reservation and that the structures were investigated and either resolved or action was ongoing.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department does not have the resources to dedicate staff specifically to addressing the illegal occupation of the shoreline reservation only. However, through the process of investigating complaints, or through the course of other types of inspections, the Department does enforce the protection of the shoreline reservation. The Department will continue its effort to address the illegal occupation of the shoreline reservation as it does any other illegal occupation of Crown land."

Our conclusion

Follow-up Not Required

We disagree with the Department's position that this recommendation has been partially implemented because the Department addresses the illegal occupation of shoreline Crown land through the investigation of complaints and other inspections. We maintain that the Department should formally plan and carry out inspections to determine the illegal occupation of shoreline Crown land. However, given the Department's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 17

The Department should develop an inspection program to ensure that the terms and conditions of leases and licenses are being complied with.

Entity's response from previous report

In 2009, the Department informed us that:

- it would review requirements in order to develop an inspection program as recommended; and
- while risk management decisions were made to concentrate inspection efforts on higher risk incidents of illegal occupation of Crown land, it did carry out compliance inspections in conjunction with other field activities and obtained sworn affidavits from clients in the renewal or grant pursuant to lease application process.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"Compliance inspections are completed, in conjunction with other field activities and also addressed via sworn affidavits by the title holder in the renewal or grant pursuant to lease application process."

Our conclusion

Follow-up Not Required

We disagree with the Department's position that this recommendation has been fully implemented because the Department completes compliance inspections in conjunction with other field activities and also obtains sworn affidavits. We maintain that the Department should develop a formal inspection program to ensure that the terms and conditions of leases and licenses are being complied with. However, given the Department's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 18

The Department should consider whether there are sufficient staff resources to plan and carry out compliance inspections.

Entity's response from previous report

In 2009, the Department did not inform us as to whether it would consider whether there were sufficient resources to plan and carry out compliance inspections.

Entity's response to current request

In 2011, the Department informed us that the recommendation had fully implemented. Furthermore, it indicated that:

"The Crown Lands Administration Division of the Department recently underwent an Organizational Review by the Public Service Secretariat. The report was finalized in January 2011 and addresses staffing levels. A copy has been provided to the Auditor General's Office."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 19

The Department should review the 137 expired leases in the AMANDA database, and correct, close or carry out inspections of expired leases where necessary.

Entity's response from previous report

In 2009, the Department informed us that it would ensure the 137 leases in the AMANDA database were appropriately addressed.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

"The Department has reviewed the list of 137 expired leases and 51 of the files are now closed. The remaining files have been sent for inspections to the Regional Offices to determine whether the titles should be issued grants, be renewed as leases, or formally cancelled."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete its inspection activity and issue grants, renew or cancel leases where appropriate for the remaining 86 files related to expired leases.

Recommendation No. 20

The Department should ensure that grants pursuant to leases are only issued when the development terms and conditions stated in the leases are complied with.

Entity's response from previous report

In 2009, the Department informed us that our recommendation was the policy of the Department and that it was satisfied with the level of development and investment with the 2001 lease to issue the grants.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The issuance of grants pursuant to leases is a policy decision of the Department and is not predicated on whether the development terms and conditions of a lease are complied with. Since 2004 the Department no longer enters into leases that are subject to grants pursuant requiring development within a specified time period. All such titles are now issued at market value as outright grants without a development term."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 21

The Department should ensure that grants pursuant to leases are only issued when there is documentation that supports the consideration calculated and paid in accordance with the terms of the lease.

Entity's response from previous report

In 2009, the Department informed us that:

- our recommendation was the policy of the Department;
- in the case of the 2005 lease with Humber Valley Resort Corporation, the Branch had checked documentation registered with the Registry of Deeds to ensure that the 6% premium paid in connection with grants obtained by the Corporation was accurately calculated; and
- while the sale price of the Lots were set by the resort and could not be appraised by the Branch, there were covenants in the lease that protected the Branch from the undervaluing / resale of lots.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"The issuance of grants pursuant to leases is a policy decision of the Department, and grants are issued upon payment of those fees and consideration determined by market appraisal as specified in policy."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.18

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

NEWFOUNDLAND AND LABRADOR LABOUR RELATIONS AGENCY

(2009 ANNUAL REPORT, PART 2.10)

Newfoundland and Labrador Labour Relations Agency (2009 Annual Report, Part 2.10)

Introduction

Our 2009 Annual Report included a review of Newfoundland and Labrador Labour Relations Agency (the Agency) at the Department of Human Resources, Labour, and Employment which as of 28 October 2011 falls under the Department of Environment and Conservation. We conducted our review to determine whether the Agency had adequate systems and procedures in place to protect the employment rights of employees and employers through the receipt and investigation of complaints.

What we found

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

- The electronic database used by the Labour Standards Division (the Division) of the Newfoundland and Labrador Labour Relations Agency to record each complaint and track the final disposition of the complaint was neither complete nor accurate. Information such as the incident date needed to investigate and monitor complaints was not always recorded, and details on the final disposition of Determination Notices, including who, if anyone, was at fault, was not recorded. Furthermore, we identified errors in the database. As a result of not always having complete and accurate information, the Division could not adequately monitor the status and final disposition of complaints and assess its performance with regard to its success in collecting wages owed. The Division also was not able to identify employers with multiple instances of fault for proactive follow-up.

- Although the Division had established guidelines for the time expected to address a complaint, our review for 2009 identified that the average exceeded the guidelines. For an Early Resolution case, the guidelines were 2 to 4 weeks and for a Formal Complaint case, the guideline was 6 months depending on the complexities of the case. For 2009, the average was 46 days to complete an Early Resolution case and 220 days to complete a Formal Complaint case. In each instance, the average exceeded the guidelines.

  Furthermore, in one instance the database indicated an Early Resolution case took 746 days to complete.

- The Division did not develop and implement a strategy for inspecting employer records in instances where there had been either multiple complaints in the past about a particular organization or there had been a determination of a valid complaint by an employee or former employee where other employees at that organization may also have been affected. The *Labour Standards Act* provides the Agency with the authority to inspect, examine and copy employer records.

- The Agency's Strategic Plan for 2006-07 through 2007-08 had performance measures that could not be 'readily comparable' to either the Agency's historical or intended performance. As a result, we could not assess the performance of the Agency as it relates to prior and intended results as contemplated by the *Transparency and Accountability Act.*

Our follow-up

In March 2011, we contacted the Agency requesting an update as to what progress had been made on the seven recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Agency should take steps to ensure its Labour Standards database is complete and accurate.*

2. *The Agency should develop policies for the enforcement of the* Labour Standards Act *through the inspection of employer records and the laying of charges for violations of the* Act.

3. *The Agency should monitor the time taken to resolve complaints and follow-up on variances.*

4. *The Agency should increase efforts to collect clearance certificate fees.*

5. *The Agency should comply with the* Labour Standards Act *and remit all undisbursed monies in the Unpaid Wages Account to the Province after a two year period.*

6. *The Agency should establish and report performance targets in measurable units.*

7. *The Agency should provide an interpretation for performance information contained in its annual report.*

Information we requested

The Agency was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

We agree with the Agency's position that all recommendations have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Agency should take steps to ensure its Labour Standards database is complete and accurate.

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that it had been in contact with the Office of the Chief Information Officer in response to the concerns identified with the 'in-house' database and it had made efforts to address the issues raised and to improve the management of the existing system.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that "*Following the release of the* 2009 Report on Reviews of Departments and Crown Agencies, *the following actions were taken to improve management of labour standards information:*

1. *The Labour Relations Agency worked with the Office of the Chief Information Officer (OCIO) in an effort to eliminate the potential for data entry issues and identify areas of concern that resulted in incomplete information. The detailed modifications made to the database to support better management of the labour standards program have been provided to the Office of the Auditor General. The following key changes have been made in response to the AG report:*

    - *New fields have been added and included in the bi-weekly reports produced for review by the Director:*
        - *Date of Incident which addresses the issue of verifying the statutory limit of six months*
        - *Reasons for monetary recovery which addresses the issue raised with determining who is at fault*

- *Changes to the existing fields include:*
  - *The name field is now mandatory data field*
  - *Limits were made to the date field to eliminate data entry errors*

- *Revisions to existing reports have been made and are generated bi-weekly for review by the Director:*
  - *Early Resolution Under Active Investigation*
  - *Early Resolution and Statuses (By Date Concluded)*
  - *Formal Files and Statuses (By Date Concluded)*

2. *To confirm the accuracy of the information entered by administrative staff responsible for data entry, the Labour Standards Officers, with a copy provided to the Director, are provided with the report of the data entered by the administrative staff and asked to validate and correct errors or omissions in the database which is updated if necessary. The Director maintains overall responsibility for ensuring the corrections are made.*

3. *Funding has been secured in Budget 2011/12 to commence replacement of the existing Labour Standards database with a case management system. When developed, the system's ability to pre-number complaint forms will be explored. The current database was designed and developed in-house by the Labour Standards Division over ten years ago using MS Access and is unable to adequately support the enhanced management reporting functions required."*

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Agency should develop policies for the enforcement of the Labour Standards Act *through the inspection of employer records and the laying of charges for violations of the* Act.

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that:

- it would examine current policies and resources in relation to carrying out more inspections; and
- it would consult officials of the Department of Justice to assess this recommendation with respect to the prosecutions and the laying of charges for violations of the *Act*.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Labour Relations Agency has reviewed this recommendation and the Division will continue to use its existing complaint-driven process for the administration of labour standards legislation, including inspecting employer records as part of the labour standards investigative process and promotion of labour standards rights and responsibilities to employees and employers, rather than develop policies for random inspection of employer records.*

The Agency is of the view that its resources should be targeted at prevention rather than enforcement and resources are being targeted in this area.

In 2010, the Agency retained the services of a marketing firm to develop promotional campaign collateral, including a website, print advertisements, posters, display materials, radio advertising and social media tools.

The Agency has identified youth as the target audience for education initiatives given that youth aged 15-24 represent the highest incidence of low wage earners in the province (71.7%). The Agency has placed additional efforts and resources to target young workers and those about to enter the workforce to support greater compliance through self-identification to the Labour Standards Division of violations of the legislation. Specific actions in this regard include:

1. *Regular communication with student leaders throughout the province. In 2010, during the annual Skills Development Symposium offered by the Canadian Federation of Students, a labour standards training session was offered to approximately 180 student leaders representing all public post-secondary campuses in the province. The information provided included critical information about the rights and responsibilities in relation to the labour standards legislation*

highlighting key areas whereby violations common to youth are occurring. These student leaders were provided with copies of the "Guide to the Labour Standards Legislation" and the "Labour Standards Fact Sheet" for distribution in their campuses.

2. *The Labour Standards Division has paid for an insert in the annual Canadian Federation of Student calendar which is distributed to 24,000 post-secondary students in the province. This insert provides information about the legislative labour standards rights and responsibilities of employees and employers.*

In 2011, the Labour Relations Agency will implement a new promotional campaign marketing the programs and services of the Agency. The promotional campaign is designed to increase visibility of the Agency to ensure members of the public are aware of how and where to avail of the services it offers. It will serve to educate parties about their rights and responsibilities in the workplace, and also direct them to the Agency for workplace dispute resolution services and further education. The target audience of the promotional campaign is broad and comprises both existing and new client groups, including: employers; employees; unions; umbrella stakeholder groups; lawyers; schools; youth; foreign workers; government departments and agencies; and others who use the programs and services of the LRA. The project also places a particular emphasis on targeting youth and other new entrants to the workforce, as these persons have a special need for information on rights and responsibilities in the workplace.

As part of this marketing campaign, the Agency is expanding its service delivery to on-line use of Twitter and Facebook to better service the users of this technology. The framework to facilitate the use of these Facebook and Twitter accounts has been secured. Launch of these services is planned for 2011/12 and these social marketing tools will be monitored by the Labour Standards Division to allow youth to pose questions directly to the Labour Standards Division.

The Labour Relations Agency has discussed options for enforcement with the Department of Justice and given that the laying of charges results in fines rather than the recovery of wages, the Agency has devoted its efforts to enhancing the public's knowledge of the rights and responsibilities under the legislation.

With respect to the laying of charges for violations of the Labour Standards Act*, the Division's enforcement approach is structured on a two-tiered model of intervention and if required, the Determination of the Director of Labour Standards is registered with the Office of the High Sheriff for the recovery of monies owing. These orders can remain in effect for 10 years and the Division continues to serve as liaison between the employee and the Office of the High Sheriff for the duration of this period.*

The AG identified that an inspection would be appropriate where there have been multiple complaints in the past about a particular organization or a complaint by an employee where other employees may be affected. With the development of the new case management system, a new report will be produced on a bi-annual basis to provide the Division with the ability to identify multiple complaints about a particular organization for use in determining the need for further action."

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Agency should monitor the time taken to resolve complaints and follow-up on variances.

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that:

- much of the problems identified originated with its existing database and administrative errors linked to the process for data entry. It would continue to work with the OCIO in an effort to improve and eventually replace the current system; and

- it would take steps to ensure that data was accurately entered into the database and that appropriate management reports were generated to monitor performance and ensure the prescribed timeframes were adhered to where possible.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"Many of the concerns identified by the Auditor General related to data entry/recording and system issues. As previously noted, improvements have been made to the database to enhance data management. Some of these modifications include:*

- *a new report showing the activity by Officer name has been created to enhance access to individual activity levels and timeframes;*
- *adjustments to the date field(s) to eliminate data entry areas identified by the AG such as the date the file concluded before the date received;*
- *data fields added to determine areas of the legislation generating complaints;*
- *new data field to track activity levels in the various regions of the province; and*
- *a new data field indicating incident date has been implemented; however, clients are often unable to identify the date of the incident therefore the field has not been activated.*

A detailed list of modifications has been provided to the Office of the Auditor General.

Modifications to the database have enhanced the Director's ability to examine performance in relation to suggested service delivery goals. Management reports are generated bi-weekly and the suggested timeframes for resolution are recorded for each Labour Standards Officer. In instances where the service delivery goals of 2 to 4 weeks for the Early Resolution Program and 6 months for Formal Investigations are exceeded, the Director, in consultation with the Labour Standards Officer, reviews the circumstances and examines ways to bring about expedited resolution.

Given the age of the application, there remains concern about the ability of the database to accurately report the activities of the Division. To address this issue, a back-up process has been established by the OCIO to help ensure the integrity of reporting. This involves information being sent to the Administrative Staff containing the status of the files from the previous day which is then cross checked with data entered on the day of the problem(s) and the paper files. The need for this process will be eliminated with the establishment of a new case management system.

The findings of the Auditor General with respect to exceeding suggested time frames for early resolutions and formal investigations prompted a review and modification of reporting practices within the Division. In the past, if a determination was issued and the matter was appealed, the case would remain "open" in terms of Labour Standards Officer reporting pending the decision of the Labour Relations Board. The appeal process may take an extended time to resolve and is outside the service standards of the Labour Standards Division. This practice of including this appeal period in the length of time it took Labour Standards Officers to complete their work resulted in the appearance of inflated time periods to bring investigations to conclusion. The recording practice has been revised to more accurately reflect when the Officers complete all work within their authority.

In addition, when instructions are filed with the Office of the High Sheriff, Labour Standards files are now concluded as of that date rather then remain "open" pending recovery efforts by the Office of the High Sheriff. Any recoveries by the Sheriff's Office are subsequently recorded and the date of receipt noted in the file and database.

The process of recording closures of early resolutions is now linked to the Officer's last direct intervention activity. Past practice often involved waiting for a client to confirm receipt of a cheque after the Officer achieved a settlement. In many cases, the client would not make the confirmation call and this period would again be considered as part of the overall time it took for the Officer to resolve the matter. The current practice is that while Officers will still confirm that the terms of the agreement are adhered to, the date entered into the system reflects conclusion as the date that an agreement/settlement was achieved."

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Agency should increase efforts to collect clearance certificate fees.

Newfoundland and Labrador Labour Relations Agency (2009 Annual Report, Part 2.10)

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that responsibility for the financial administration of the clearance certificate process was transferred to the Finance and General Operations Division of the Department of Human Resources, Labour and Employment in order to benefit from the enhanced financial management support and experience at the Department.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"In summary, as of July 2008, the Agency in coordination with its Finance Division, took a more active approach to collecting its clearance certificate fees. These fees are set up in the Accounts Receivable system and law firms are invoiced for the amount owing on a monthly basis. This process has improved our collection rate on these fees, as noted below.*

Unpaid Invoices, January 1, 2000 to June 30, 2006	*$18,800*
Unpaid Invoices, July 1, 2006 to June 30, 2008	*8,000*
	$26,800
Unpaid Invoices, July1, 2008 to March 31, 2011	*19,500 – see note below*
	$46,300

Of the invoices issued July 1, 2008 to March 31, 2011, only $19,500 is outstanding with 52% less than 60 days old and only $950 has been outstanding for more than 365 days.

In September 2010, the Corporate Services restructuring changed the process with the main change being the Account Receivable Management Unit creates the invoices and sends the monthly statements. The Agency will need to work with the new Accounts Receivable Management Unit in the Department of Finance and the Agency's Finance Division to assess how to deal with the older outstanding balance of $26,800 (i.e., pre-July 1, 2008). Some, or all, of this amount may need to be written off due to inadequate documentation to support the amount owing."

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Agency should comply with the Labour Standards Act *and remit all undisbursed monies in the Unpaid Wages Account to the Province after a two year period.*

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that it would remit to the Province after a two-year period, any undisbursed monies in the Unpaid Wages Trust Account.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"Administration of the Unpaid Wages Trust Account is the responsibility of the Finance and General Operations Division of the Department of Human Resources, Labour and Employment (HRLE), in cooperation with the Labour Relations Agency.*

A review of the Unpaid Wages Trust Account conducted at the end of fiscal year 2010/2011 indicated that an outstanding balance totaling $167.69 had exceeded the two-year period and action has been taken to have this amount transferred to the Province.

The Labour Standards Division has implemented a policy (which has been provided to the Office of the Auditor General) to ensure the account is monitored and any funds exceeding the two-year timeframe is transferred to the province as stipulated in the Labour Standards legislation."

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

The Agency should establish and report performance targets in measurable units.

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that:

- The performance measures and indicators relating to the goals and objectives identified were transparently assessed in the 2006-07 and 2007-08 Annual Reports. In addition, the presentation and format used to communicate the Agency's performance in these areas were enhanced in 2007-08 to more clearly articulate how these goals and objectives were addressed. The indicators and accomplishments identified in the Annual Reports were the measurable units used to assess the Labour Relations Agency's performance. In some cases, these measurable units had qualitative, rather than quantitative, indicators given the nature of the specific goal or objective. The accomplishments associated with these indicators were interpreted and assessed in each of the Labour Relations Agency's Annual Reports.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that "*The Agency advises that it continues to use measurable units in its Annual Reports to assess the Agency's performance. As noted in its response to the* 2009 Report on Reviews of Departments and Crown Agencies, *these measurable units are often qualitative measures, rather than quantitative measures given the nature of the specific goal or objective.*

Based on enhancements to the Labour Standards database and the changes in Officer reporting practices, the Agency will report the average time required to resolve Early Resolution and Formal Investigations complaints against its established service delivery goals of 2 to 4 weeks for the Early Resolution Program and 6 months for Formal Investigations."

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

The Agency should provide an interpretation for performance information contained in its annual report.

Entity's response from previous report

The Agency indicated in its response to our 2009 Report that it would assess the presentation of data in its Annual Report and examine the possibility of including more detailed information relating to the monitoring and enforcement of employment standards.

Entity's response to current request

In 2011, the Agency informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Labour Standards Division will report the average time required to resolve Early Resolution and Formal Investigations complaints against its established service delivery goals of 2 to 4 weeks for the Early Resolution Program and 6 months for Formal Investigations.*

The Agency also remains in consultation with the Office of the Chief Information Officer on the design for a new case management system and once this system is operational, the Agency will determine an approach for further reporting labour standards activities in its Annual Report."

Our conclusion

Follow-Up Not Required

We agree with the Agency's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Newfoundland and Labrador Labour Relations Agency (2009 Annual Report, Part 2.10)

PART 2.19

DEPARTMENT OF FISHERIES AND AQUACULTURE

AQUACULTURE DEVELOPMENT

(2008 ANNUAL REPORT, PART 2.9; UPDATE: 2010, PART 2.14)

Aquaculture Development
(2008 Annual Report, Part 2.9; Update: 2010, Part 2.14)

Introduction

Our 2008 Annual Report included a review of Aquaculture Development at the Department of Fisheries and Aquaculture (the Department). We conducted our review to determine whether the Department was ensuring that the aquaculture industry was developing in accordance with strategic objectives and whether deficiencies identified in our 2004 report were addressed.

What we found

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

We identified a number of issues that, although known by the Department, had not been addressed in a timely manner. For example, the lack of infrastructure to support the current or future aquaculture operations and the Department's failure to finalize the Aquaculture Health Management Plan. These issues will have to be addressed if the aquaculture industry is going to expand in an orderly and sustainable manner.

Details of our findings are as follows:

Atlantic Salmon and Steelhead Trout (salmonids): There had been an increase in investment in the salmonid aquaculture industry since our report in 2004 and the industry was expanding, with established aquaculture companies undertaking operations in Newfoundland and Labrador. However, we identified issues such as the lack of legislation and the failure to update and complete management plans and codes of practice that were necessary to support an orderly and sustainable expansion.

Our review indicated that priority issues identified in the 2005 review of the Industry Strategic Plan had still not been addressed. For example, the Department indicated that there were not enough properly located wharves dedicated to aquaculture on the south coast of the Province, that new roads would be required to access new wharves and that aquaculture development was placing a burden on existing waste management systems.

Atlantic Cod: The Department had done little to advance the development of Atlantic Cod Aquaculture in the Province. We found that construction of a cod hatchery ceased in 2003 due to legal issues between private industry proponents and that approximately $1 million would have been required to complete construction of the hatchery. Furthermore, the Department had not completed the strategic development, start-up and operation of a commercial scale Atlantic Cod demonstration farm as planned. Given that industry had failed to complete construction of a cod hatchery, and that there was no other cod hatchery in the Province to provide the number of cod the demonstration farm will require annually, the Department indicated it was exploring options to obtain cod from hatcheries in other parts of Atlantic Canada.

Blue Mussels: There was no management plan or code of practice to guide shellfish site operators in the aquaculture of shellfish in the Province. While the Department did prepare a draft document identifying investment initiatives required to expand the salmonid industry, no such document was prepared for Blue Mussels.

Our follow-up

In our 2010 Update Report we concluded that five of the original six recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the five recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should review and make recommendations to update the* Aquaculture Act *and* Regulations.

2. *The Department should complete and approve the Aquaculture Health Management Plan.*

3. *The Department should develop a code of practice for the aquaculture of shellfish.*

4. *The Department should obtain approval and implement the recommendations necessary to support an orderly and sustainable expansion in the salmonid aquaculture industry.*

5. *The Department should develop and implement a strategy to promote and support the orderly and sustainable expansion of the Blue Mussel industry.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Aquaculture Development
(2008 Annual Report, Part 2.9; Update: 2010, Part 2.14)

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2008 Annual Report, 5 of the original 6 recommendations have only been partially implemented.

We agree with the Department's position that recommendation numbers 1, 2, 3, 4 and 5 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the Department will need to:

- draft amendments to the *Aquaculture Act* and *Regulations* for submission to the House of Assembly;
- complete and approve the Aquaculture Health Management Plan;
- finalize the Salmonid and Finfish Guidelines for Environmental Management Planning (GEMP) and develop a Blue Mussel GEMP;
- obtain Cabinet approval for the Integrated Salmonid Strategy;
- complete the upgrading and site planning / construction of wharves in connection with improving marine infrastructure;
- complete wastewater treatment projects and the Centre for Aquaculture Health and Development in connection with improving fish health; and
- obtain Cabinet approval and develop / implement a strategy to promote and support the orderly and sustainable expansion of the Blue Mussel industry.

Recommendation No. 1

The Department should review and make recommendations to update the Aquaculture Act *and* Regulations.

Entity's response from previous report

In 2010, the Department informed us that:

- an internal analysis of the existing *Aquaculture Act* and *Regulations* was completed and authority to amend the *Act* and *Regulations* was requested from Cabinet; and

- an internal drafting Committee was formed to provide drafting instructions to Legislative Council.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

Approval was given for drafting amendments and consultation. Consultation is completed with industry and both levels of government. There had been a civil action pending before the courts which had proposed to challenge the Province's constitutional right to regulate aquaculture in the province. While this case was before the courts, the Department felt it was prudent to await the court decision prior to proceeding with new legislative changes. The plaintiffs dropped the constitutional challenge in February 2011 and the Department will now proceed to draft the Aquaculture Act amendments and Regulations for planned introduction into the fall sitting of the House of Assembly.

Future Action Plan(s)

Engage internal drafting committee and legislative counsel with a planned submission to the House of Assembly in the fall session."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to draft amendments to the *Aquaculture Act* and *Regulations* for submission to the House of Assembly.

Recommendation No. 2

The Department should complete and approve the Aquaculture Health Management Plan.

Entity's response from previous report

In 2010, the Department informed us that the Aquaculture Health Management Plan had been drafted and an internal review completed. However, the Department was waiting to include components from the *Aquaculture Act* and *Regulations* amendment review process which included external consultation.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

This report item is dependent upon the Aquaculture Act and Regulations amendment review process which is anticipated to be re-initiated in the Spring of 2011. (Please see information on [Recommendation No. 1]).

Future Action Plan(s)

Sections of the Aquaculture Health Management Plan to be incorporated into the Aquaculture Act and Regulations amendment review process."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete and approve the Aquaculture Health Management Plan.

Recommendation No. 3

The Department should develop a code of practice for the aquaculture of shellfish.

Entity's response from previous report

In 2010, the Department informed us that:

- a Blue Mussel Objective-Based Guide to Environmental Management Planning (GEMP) had been drafted and circulated for feedback to federal and provincial regulatory agencies and with the Newfoundland Aquaculture Industry Association (NAIA);
- based on the feedback received, the Department decided to concentrate on finalizing the Salmonid and Finfish GEMP; and
- the Blue Mussel GEMP would be developed once the Salmon and Finfish GEMP was completed.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

- *There has been no further action on the Blue Mussel Guidelines for Environmental Management Planning (GEMP), due to a significant delay in the Salmonid and Finfish GEMP.*
- *DFA collaborated with federal and provincial departments and the salmonid growers to draft the Salmonid and Finfish GEMP and received support from industry participants to test its objectives against industry management plans, and help assess resource costs.*
- *However, this did not take place in the spring of 2010 as planned because there were several unanswered legal questions that were discussed during the drafting. We are waiting on this legal review.*
- *This task has delayed the project a year to date, in part because the results of the Salmonid and Finfish GEMP are relevant to the format, approach and viability of the Blue Mussel GEMP.*

Future Action Plan(s)

Due to the length of the delay, a review of the initiative has been suggested, to revisit its priority relative to other departmental initiatives and determine whether support remains for the initiative."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to finalize the Salmonid and Finfish Guidelines for Environmental Management Planning (GEMP) and develop a Blue Mussel GEMP.

Recommendation No. 4

The Department should obtain approval and implement the recommendations necessary to support an orderly and sustainable expansion in the salmonid aquaculture industry.

Entity's response from previous report

In 2010, the Department informed us that:

- it worked with other government departments to address investment, sustainable management, infrastructure, human resources, communications and federal government collaboration and compiled an integrated salmonid strategy that was being reviewed;
- an infrastructure assessment was completed for the salmonid industry and four wharf locations that were allocated funding for construction in the 2009/10 budget;
- wharf planning and design was scheduled to be completed by Spring 2010 with construction to be completed by March 2011; and
- additional resources were allocated to fish health, including: new staff positions; investment in waste water treatment systems; and investment in the construction of the Aquatic Centre for Health and Development which was to be completed in Spring 2011.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

Integrated Salmonid Strategy

- *Strategy and cabinet paper completed and forwarded to executive for final review and decision on consultation process.*

Marine Infrastructure

- *Siting and planning for new wharves completed in 2010-11.*
- *Wharves at Hermitage and Pool's Cove are 90 percent and 80 percent complete respectively, with the locations for Harbour Breton and Belleoram wharves under review.*
- *Request for tenders submitted for the repairs to the St. Alban's wharf and the design of the Milltown wharf.*

Fish Health

- *Two fish health positions staffed in 2010-2011 (one veterinarian and one lab technologist).*
- *Work continued on completing wastewater treatment projects in two processing plants in the region with a budget request for 2011-12 to complete one more.*
- *Work continued on the Centre for Aquaculture Health and Development.*

Future Action Plan(s)

Integrated Salmonid Strategy

Forward documents to Cabinet for approval.

Marine Infrastructure

- *Construction of two wharves (Hermitage and Pool's Cove) to be completed in summer 2011.*
- *Determine location for Harbour Breton and Belleoram wharves and begin construction.*
- *Planning for upgrading of St. Alban's wharf and construction of new Milltown wharf to be done in 2011-12.*

Fish Health

- *Estimated completion and commissioning date for Centre for Aquaculture Health and Development is June 2011."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to:

- obtain Cabinet approval for the Integrated Salmonid Strategy;
- complete the upgrading and site planning / construction of wharves in connection with improving marine infrastructure; and
- complete wastewater treatment projects and the Centre for Aquaculture Health and Development in connection with improving fish health.

Recommendation No. 5

The Department should develop and implement a strategy to promote and support the orderly and sustainable expansion of the Blue Mussel industry.

Aquaculture Development
(2008 Annual Report, Part 2.9; Update: 2010, Part 2.14)

Entity's response from previous report

In 2010, the Department informed us that:

- a draft strategy was nearing completion and that a study was commissioned to evaluate the Province's mussel industry; and
- the strategy to promote and support the orderly and sustainable expansion of the Blue Mussel industry was to be completed following the evaluation study of the Province's mussel industry.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

- *A provincial mussel industry study was completed in June 2010, resulting in several recommendations being presented to the Department of Fisheries and Aquaculture. These recommendations outlined several key initiatives required to develop an efficient, profitable and sustainable industry.*
- *The Department and Industry formed a provincial working group to develop an action plan to address the recommendations.*
- *The action plan and industry study, along with other relevant documents, have been compiled to aid in the development of a Blue Mussel Industry Strategy (Mussel Strategy).*
- *The information gathering to complete the strategy has commenced.*

Future Action Plan(s)

Cabinet approval will be sought and, if successful, the Mussel Strategy will be initiated in the fall of 2011."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to obtain Cabinet approval and develop / implement a strategy to promote and support the orderly and sustainable expansion of the Blue Mussel industry.

PART 2.20

DEPARTMENT OF FISHERIES AND AQUACULTURE

AQUACULTURE INSPECTIONS

(2008 ANNUAL REPORT, PART 2.10; UPDATE: 2010, PART 2.15)

Aquaculture Inspections
(2008 Annual Report, Part 2.10; Update: 2010, Part 2.15)

Introduction

Our 2008 Annual Report included a review of Aquaculture Inspections at the Department of Fisheries and Aquaculture (the Department). We conducted our review to determine whether the Department was complying with inspection requirements and whether deficiencies identified in our 2004 report were addressed.

What we found

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

We identified a number of issues with regards to the Department's aquaculture inspection activities. For example:

Aquaculture Site Inspections: The Department only completed 125 or 86% of the 146 annual inspections that were required in 2007 and officials indicated that the Department was not successful in inspecting all aquaculture sites in 2005 and 2006. In addition:

- The Department did not know whether closed aquaculture sites had been returned to their natural state as required under the *Aquaculture Act.*

- Inspectors were not accurately completing Aquaculture Site Inspection and Directive Reports (Inspection Report) and the Inspection Report was not adequate to support inspection activity. We had difficulty determining whether deficiencies and hazards did or did not exist.

- There was no requirement that the site operator sign the Inspection Report acknowledging the inspection results and related directives, and the Department did not take measures to ensure site operators received the reports that were mailed to them, as required by Department policy.

- Our review of 163 Inspection Reports prepared in connection with inspections of aquaculture sites in 2007 indicated that directives were not always included in the Inspection Report to site operators to correct identified deficiencies. Contrary to Departmental policy, follow-up inspections were not always carried out to ensure identified deficiencies were corrected.

- The Department provided little guidance in its policy manuals as to what would be considered a hazard at an aquaculture site. Notwithstanding the lack of clarity with regards to the definition of a hazard, our review indicated that 30 or 18% of 163 aquaculture sites inspected in 2007 were identified as having a hazard at the time of the inspection. There was no immediate correction at any of the 30 sites and, contrary to Department policy, site operators were not asked to provide an action plan to indicate how the hazard was to be mitigated. Furthermore, we found that 16 of the 30 sites still had the same hazards noted in their 2008 annual inspection.

The Code of Containment: There were no established guidelines for the amount of weight to be used by site operators in the weighing of nets secured to marine cages; there were no established standards for mooring systems to hold marine cages in place; the Department had no mooring system inspection program; and there was no requirement that the Department carry out a subsurface dive inspection to ensure that site operators were maintaining cage systems in accordance with the Code.

The Department was not always carrying out the required number of annual cage systems inspections as required under its Code of Containment. Cage System Audit Reports did not always indicate whether repairs were required to cages and nets and, where repairs to cages and nets were required, compliance dates were not always given and follow-up inspections were not always indicated as being carried out.

Aquaculture Licensing Information System: Information recorded in the Aquaculture Licensing Information System database was neither complete nor accurate. Information entered into the system was not always captured and reports produced from the system did not always contain the information requested.

Our follow-up

In our 2010 Update Report we concluded that 5 of the original 11 recommendations resulting from our review had not been fully implemented and that further follow-up was required.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the 5 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should inspect aquaculture sites when they are closed and obtain the equipment necessary to ensure closed sites have been returned to their natural state as required by the* Aquaculture Act.

2. *The Department should ensure hazards and deficiencies identified during inspections are corrected as required under Department policy.*

3. *The Department should update Department policy to assist inspectors in determining whether deficiencies or hazards exist at aquaculture sites.*

4. *The Department should review and update the Code of Containment to address the weaknesses noted in our report.*

5. *The Department should review and make improvements to the Aquaculture Licensing Information System to ensure that all information entered into the system is captured and that reports produced from the system are complete, accurate and timely.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2008 Annual Report, 4 of the original 11 recommendations had only been partially implemented.

We agree with the Department's position that recommendation numbers 1, 3, 4 and 5 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the Department will need to:

- identify and evaluate site viewing and assessment equipment to effectively inspect closed aquaculture sites to ensure they have been returned to their natural state;

- meet with Transport Canada to determine the appropriate policy amendments necessary to ensure that deficiencies and hazards are identified at aquaculture sites;

- revise the Code of Containment to include the changes it has identified to address the weaknesses noted in our report; and

- implement the new software product it identifies as the most effective replacement for the Aquaculture Licensing Information System.

We agree with the Department's position that recommendation number 2 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should inspect aquaculture sites when they are closed and obtain the equipment necessary to ensure closed sites have been returned to their natural state as required by the Aquaculture Act.

Entity's response from previous report

In 2010, the Department informed us that:

- all closed/abandoned sites with gear at the surface were inspected annually;

- sites with no gear at the surface were not inspected because the Department did not have the necessary equipment to view underwater; and

- it was evaluating solutions for underwater inspections.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

Multiple methods for assessing sites were evaluated since the last report with little success. The Department is proposing a pilot project for 2011-12 to clean up abandoned sites. As part of this pilot project, site viewing and assessment equipment will be identified and evaluated for practicality and effectiveness.

Future Action Plans

Implement abandoned site clean up project."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to identify and evaluate site viewing and assessment equipment to effectively inspect closed aquaculture sites to ensure they have been returned to their natural state.

Recommendation No. 2

The Department should ensure hazards and deficiencies identified during inspections are corrected as required under Department policy.

Entity's response from previous report

In 2010, the Department informed us that:

- with the exception of three sites, all sites that had deficiencies or hazards identified were re-inspected to ensure compliance with directives that were issued;
- in order to deal with non-compliance issues, it was developing test case files for legal opinion and instruction from the senior Crown Attorney; and
- it was also reviewing the *Aquaculture Act* and *Regulations* to ensure that non-compliance issues were being dealt with accordingly.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

" Current Status

Follow-up inspections are being conducted and license suspensions are occurring when non-compliance is identified. This is proving to be an effective tool and reinforces to the industry that compliance with requirements is taken seriously.

Future Action Plan(s)

- *Continuation of follow-up inspections and license suspensions.*
- *The review and amendment of the Aquaculture Act and Regulations will further ensure that non-compliance issues are dealt with in an effective manner."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should update Department policy to assist inspectors in determining whether deficiencies or hazards exist at aquaculture sites.

Entity's response from previous report

In 2010, the Department informed us that the issue of defining hazards and/or deficiencies would be further addressed following review of aquaculture policies and the ensuing legislative and regulatory amendments.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

- *Aquaculture sites are inspected by the Newfoundland and Labrador Department of Fisheries and Aquaculture and Transport Canada. Discussions need to occur between both levels of government to determine the appropriate policy amendments to address the issue of identifying hazards and/or deficiencies on aquaculture sites.*
- *Due to the federal election, negotiations with Transport Canada could not occur.*
- *Arrangements were being made in JanuarylFebruary 2011 to meet with Transport Canada and clarify roles and responsibilities for federal/provincial inspection programs and clarify what types of matters provincial inspectors should/can address while conducting inspections*

- *In the absence of legislated authority to address hazards that are navigation concerns, we may be limited to ensuring site boundary is delineated and no shorefast moorings exist. Other problems would be federal responsibility to identify and address.*

Future Action Plan(s)

Meet with Transport Canada to clarify roles and responsibilities."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to meet with Transport Canada to determine the appropriate policy amendments necessary to ensure that deficiencies and hazards are identified at aquaculture sites.

Recommendation No. 4

The Department should review and update the Code of Containment to address the weaknesses noted in our report.

Entity's response from previous report

In 2010, the Department informed us that it would work with the Aquaculture Liaison Committee to complete its review of recapture methods and other elements of the Code of Containment and to update the Code where necessary.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

- *The Code of Containment Liaison Committee met in November of 2010 to review and recommend changes to the Code.*

- *The Committee agreed to strengthen the Code by implementing new requirements under the Code, including:*

- *Requirements for performance and recording of diver net inspections and site surface components by site staff and audit and inspection of the records by DFA.*

- *Improvements to the inventory reconciliation process.*

- *Addition of the requirements for all sites to have a Mooring Maintenance and Replacement Plan.*

- *Agreement to investigate and detennine acceptable levels for shrinkage and surpluses.*

- *Continuation of investigating ways to improve escape recapture gear and procedures (to be undertaken by Fisheries and Oceans Canada).*

- *Requirement for growers to provide training on the Code of Containment to all site staff. DFA will develop a training module to be delivered to site workers.*

- *Elimination of reference to the handling and transportation sections of the industry Code of Practice and the incorporation of specific transportation and handling practices to be written directly into the Code.*

- *DFA has engaged an epidemiologist to assist in determining adequate sample size for audits of records.*

Future Action Plan(s)

- *The Code of Containment is being revised to include the above changes to strengthen the Code and address the concerns of the Auditor General. Anticipated completion of a draft is summer 2011.*

- *Approval by the Aquaculture Liaison Committee (ALC) prior to implementation."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to revise the Code of Containment to include the changes it has identified to address the weaknesses noted in our report.

Recommendation No. 5

The Department should review and make improvements to the Aquaculture Licensing Information System to ensure that all information entered into the system is captured and that reports produced from the system are complete, accurate and timely.

Entity's response from previous report

In 2010, the Department informed us that:

- it was working with the OCIO and a consultant to complete a needs analysis for the new Aquaculture Licensing Information System (ALIS);
- tender for the design and provision of the system was to be let in the Spring of 2010; and
- it was going to work with the OCIO in the analysis and selection of bidders for the replacement of the ALIS.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented. Furthermore, it indicated that:

*"**Current Status***

In conjunction with the OCIO, the Department has shortlisted responses to the RFP that was let in 2010 for the replacement of the Department's license application management software.

Future Action Plan(s)

Vendor product demos and evaluations will occur in April/May 2011 to inform a decision on final product selection. An implementation plan will be finalized once the software product is identified."

Aquaculture Inspections
(2008 Annual Report, Part 2.10; Update: 2010, Part 2.15)

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to implement the new software product it identifies as the most effective replacement for the Aquaculture Licensing Information System.

PART 2.21

DEPARTMENT OF FISHERIES AND AQUACULTURE

FISHERIES TECHNOLOGY AND NEW OPPORTUNITIES PROGRAM

(2009 ANNUAL REPORT, PART 2.5)

Fisheries Technology and New Opportunities Program (2009 Annual Report, Part 2.5)

Introduction

Our 2009 Annual Report included a review of the Fisheries Technology and New Opportunities Program (FTNOP) at the Department of Fisheries and Aquaculture (the Department). We conducted our review to determine whether the Department:

- assessed and approved project applications in accordance with FTNOP criteria;
- made payments only when supported by required documentation and properly approved; and
- monitored approved projects to determine if funds were spent as intended and program objectives were achieved.

What we found

Our review indicated a number of concerns related to how the Department was administering the FTNOP. We found that:

- project applications were not always assessed and approved in accordance with program criteria;
- payments were sometimes made without the required documentation and approvals; and
- projects were not always adequately monitored to determine whether funds were spent as intended.

Furthermore, the Department had not established measurable criteria in order to determine whether the program objectives were achieved.

Our follow-up

In March 2011, we contacted the Department of Fisheries and Aquaculture requesting an update as to what progress had been made on the 15 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring applications are complete and supported.*
2. *The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring approvals are documented by the Committee.*

3. *The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring approvals are within contribution limits*

4. *The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring Project Summary and Approval Forms (PSAFs) are completed as required for all projects.*

5. *The Department should ensure applications are assessed and approved within the prescribed 45 days.*

6. *The Department should comply with its policies and procedures in making payments for approved projects.*

7. *The Department should establish procedures to detect and correct error in payments.*

8. *The Department should ensure payments are made in accordance with the terms of the signed contracts.*

9. *The Department should obtain supporting documentation to support all costs funded.*

10. *The Department should ensure projects are not funded in excess of actual costs and funding limits.*

11. *The Department should establish procedures to ensure funding methods are consistent among approved projects.*

12. *The Department should ensure the FTNOP is monitored in accordance with its Policy and Procedures Manual.*

13. *The Department should review and document the reasons for any variances between proposed activities and actual activities.*

14. *The Department should develop performance indicators and compare actual results to these indicators.*

15. *The Department should reconcile the Province's Financial Managemnet System (FMS) to the Project Management System.*

Fisheries Technology and New Opportunities Program (2009 Annual Report, Part 2.5)

Information we requested

The Department of Fisheries and Aquaculture was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department of Fisheries and Aquaculture has made progress in addressing the recommendations from our 2009 Annual Report, 2 of the original 15 recommendations had only been partially implemented.

We agree with the Department of Fisheries and Aquaculture's position that the recommendation number 14 has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, the Department will need to develop performance indicators and compare actual results to these indicators.

We agree with the Department of Fisheries and Aquaculture's position that the recommendation number 5 has been partially implemented. However, we will not follow-up on the recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the Department's position that the recommendation numbers 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13 and 15 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring applications are complete and supported.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that as part of their due diligence process, FTNOP projects were never approved simply based on an application form alone. All files are supported by a detailed proposal, which must be included in the application process. The proposals would always contain more information than would be captured in an application form.

The Department also indicated that the program allows for reasonable overhead charges for public institutions such as MUN, CCFI, and for industry not-for-profit groups such as the Fish, Food and Allied Workers Union. While this policy has been consistently applied, it is recognized that this policy is not adequately reflected in the FTNOP Policy and Procedures Manual. The Department indicated they would revise the manual accordingly.

The Department indicated that in some cases, specialized equipment costs may be estimated, and the Department may only be able to source 'general' quotations. Often, equipment selection and cost is finalized after the input and technical assistance of DFA staff and/or other experts. The final contract stipulates specific equipment costs and ensures the equipment will meet the project requirements.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that "*All FTNOP files have been thoroughly reviewed to confirm detailed work plans and proposals are contained therein. Project officers have also ensured that all supporting information required to complete a thorough assessment of the proposal is on file. To reinforce this requirement, meetings have been held with both headquarters and regional development staff to ensure all project officers are cognizant of the requirement of a detailed project proposal being an integral part of the evaluation process. The Department has conducted a review of the Policy and Procedures Manual and has made changes to this document, addressing the issues raised by the Auditor General's Office. This particularly relates to the provision of funding for non-profit groups and institutions, and the issue of collecting adequate supporting documentation in all cases.*

Future Action Plan(s)

Regular meetings will be held with all development staff, and their assessment activities and practices will continue to be monitored. Project files will continue to be audited internally to ensure compliance with the Policy and Procedures Manual as per recommendations of the Auditor General's Office."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring approvals are documented by the Committee.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that in the first few months of the FTNOP, the Policy and Procedures Manual was being developed, and a formal FTNOP Management Committee structure was not in place. However, all projects approved prior to and following the formation of the Management Committee had the necessary documentation in place. This includes the Project Summary and Approval Forms (PSAF) and the Minister's letter of approval, which is required for all projects.

The Department indicated that in the two files noted, the PSAF was signed by the Deputy Minister and a proper project assessment was completed. In addition, as per section 6.4 of the Policy and Procedures Manual, the letter of approval was signed by the Minister.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department requires all projects be fully vetted through the FTNOP Management Committee process. When projects are fast-tracked between regularly scheduled meetings in extenuating circumstances, the Committee is given full opportunity to review the project officer's analysis by email, to make recommendations for consideration, and to sign off, as per the requirements of the Policy and Procedures Manual. The course of action is then tabled at the next scheduled meeting of the Management Committee.*

Future Action Plan(s)

Regular reviews will be conducted to ensure all projects are properly reviewed by the Management Committee, as per the Program requirements."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring approvals are within contribution limits.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that no individual projects exceeded the maximum limit of approved funds. In one case, two projects were grouped together under one umbrella project (i.e., hagfish resource development); however, the individual projects did not exceed the funding cap. In another case with an industry client, there were insufficient invoices on file to support the final total payment.

Since FTNOP clients were required to keep all project supporting information for a five-year period, the Department stated that they were in the process of retrieving the supporting invoices to justify the advances made and if a discrepancy existed between the approvals and payments made, any over-payment would be recovered from the proponent.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"As indicated in an earlier review of the FTNOP, no single project has been made to ensure funding caps are adhered to in compliance with the Policy and Procedures Manual. In limited cases, where evidence was found of insufficient invoices on file to support a final total payment, these invoices have since been recovered from the client. FTNOP clients are required to keep all project supporting information for a five-year period.*

Future Action Plan(s)

Ongoing file monitoring by the divisional director and program coordinator will continue to be carried out to ensure funding caps are not exceeded in any case. As well, meetings and monitoring will be conducted with development staff to ensure compliance."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring PSAFs are completed as required for all projects.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that eligible costs were not required to be included in the PSAF form; instead, these costs were included in the project contract, which was prepared prior to the project start.

The Department also indicated that the Policy and Procedures Manual states that comments are sought from other departments and agencies where applicable; however, not all projects require comment from other agencies. It is very much dependent on the nature of the project; as an example, projects that deal with issues of resource (e.g., fish stock availability) would usually warrant a DFO comment. By comparison, processing-related projects, as an area of provincial jurisdiction and expertise, would not usually require a DFO comment.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Project Summary and Approval Form (PSAF) now reflects a summary of eligible costs, and the contract identifies specific eligible activities. Input is always sought from relevant agencies and departments on the PSAF; however, not all projects will require input or comment from every agency identified on the form. The Policy and Procedures Manual has been updated to clarify this requirement.*

Future Action Plan(s)

Monitoring of all ongoing and new FTNOP files will continue by the program coordinator to ensure compliance with this requirement."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Department should ensure applications are assessed and approved in accordance with the FTNOP Policy and Procedures Manual by ensuring applications are assessed and approved within the prescribed 45 days.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that as contained in the Policy and Procedures Manual (section 6.1), the 45-day time frame is a guideline only. As part of the due diligence process, assessments can take longer depending on the project; more specifically, the degree of complexity of the project. It can also be influenced by the timing of information provided by the applicant. To help clarify this policy, the Department intended to amend the Manual to specify that timing was based on the receipt of all required information. The Department indicated that they had never had a complaint about a delay in the project assessment and approval process.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The 45-day assessment time frame is generally being adhered to; however there are exceptions where further information is required as part of the Department's due diligence work. The assessment time span is influenced by the response time in receiving this information from the applicant. The Policy and Procedures Manual has been updated to clarify the timing issues surrounding this matter.*

Future Action Plan(s)

The FTNOP program coordinator will continue to record applications as soon as they are received. Project officers will continue to get proposals through the assessment stage and to have the project assessments reviewed by the Management Committee as efficiently as possible."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been partially implemented, however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 6

The Department should comply with its policies and procedures in making payments for approved projects.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that the Policy and Procedures Manual (section 4.6), required the preparation of payment memos; however, the manual was not developed until January 2009. Prior to the implementation of the manual, payments were processed following verification by the Project Officer and the Director of Fisheries Innovation and Development.

The Department indicated that every effort is made to collect paid invoices on advances within the six-month time frame; however, in some cases, extra time is required to reconcile these payments.

The Department also indicated that, as per the Policy and Procedures Manual, there were three requirements on a payment memo: 1. total amount of invoice; 2. amount eligible for payment; and 3. amount of HST included if applicable. However, in cases where one or more of these items was not provided on the payment request memo, the required information was evident on the invoice itself.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"Gathering documentation, i.e., paid invoices, to support advance payments is normally completed within the required six-month time frame. As well, supporting documentation is to accompany each request for a progress payment. In isolated cases, extra time may be required to reconcile these payments. For example, this can occur in projects that are complex and/or have a long duration. Payment request memos are required to be signed by the project officer, as per the Policy and Procedures Manual, which confirms payments are in compliance with the project contract. A major role of the financial analyst, hired since the review of the Auditor General's Office, is to verify payment requests are in compliance with the project contract and are supported by paid invoices.*

Future Action Plan(s)

The FTNOP program coordinator and financial analyst will continue to ensure compliance with this requirement."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

The Department should establish procedures to detect and correct errors in payments.

Fisheries Technology and New Opportunities Program (2009 Annual Report, Part 2.5)

Entity's response from previous report

The Department indicated in its response to our 2009 Report that for each of the projects in questions, the expense was clearly identified as being ineligible by the Project Officer. However, these costs were included as part of an invoice package and, as a result, were reimbursed in error. The Department indicated they were in the process of recovering this portion of these project payments.

The Department was advised that if HST is included on invoices, it would be paid by the Department of Finance, and would not be disbursed from the FTNOP budget. As per discussions with AG office staff, HST should not have been applied to salaries and adjustments would be made to reflect these changes. The Department had discussed the HST issue with the Financial Operations Division to clarify the policy and procedures on this matter.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"A financial analyst position was put in place approximately mid-way through the FTNOP. A major responsibility of this position is to verify all payments to ensure that they fully comply with the project contract. Payment terms are also reviewed by the FTNOP program coordinator and the division director. The Policy and Procedures Manual has been amended to reflect these changes. In one case, where invoices were not adequate to support a claim, the client subsequently provided additional documentation to support the total final payment/claim. The issue of HST on FTNOP project work done was clarified by financial administrative staff and has been reflected in the Policy and Procedures Manual.*

Future Action Plan(s)

The FTNOP program coordinator and the financial analyst will continue to ensure compliance with this requirement. Regular meetings will be held with project officers to ensure they are cognizant of payment and contract terms."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 8

The Department should ensure payments are made in accordance with the terms of the signed contracts.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that in the cases identified, the Project Officer received an electronic draft of the final report, and if they deemed that electronic report was acceptable, would have requested final payment before the paper copy of the report was received and filed. They had reviewed this matter and can confirm that project files contained a final report for all completed projects. As noted in the Policy and Procedures Manual (section 11.2) site visits were completed on an "as applicable basis." Site visits were not always a requirement of the contract. For example, a site visit would be impractical for a resource survey or an international marketing initiative.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"All FTNOP files have been reviewed, and electronic or paper copies of final reports are on file. An independent review and evaluation of FTNOP was conducted in January 2011, which confirmed that this requirement is being met. Record of site visits, where required, is contained in each project file with digital evidence and other monitoring mechanisms in place.*

Future Action Plan(s)

Staff will be encouraged to use site visit forms wherever practical and ensure adequate follow-up in conducted with each client as the project develops, is executed, and completed."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should obtain supporting documentation to support all costs funded.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that every effort was made to collect paid invoices on advances within the six-month time frame; however, in some cases, extra time was required to reconcile these payments.

The Department also indicated that the only instances where supporting invoices were not required relate to projects undertaken with provincial entities (i.e., the Marine Institute, the CCFI, and MUN). These organizations had rigorous accounting practices and records in place that supported the requirements. As well, all FTNOP proponents were required, as per clauses 23 and 24 of the FTNOP contract, to keep and make available their supporting invoices for a five-year period for review by the Department. Payment request memos, which accompany invoices, were signed by the Project Officer with the correct payment amount indicated. This signed memo indicates that the Project Officer had reviewed the invoices and had ensured they were in compliance with the project contract. In addition, one of the duties of the Financial Analyst for the Fishing Industry Renewal Strategy was to verify payments to ensure that they complied with the project contract.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The duties of the financial analyst position include reviewing and verifying that all supporting documentation required to accompany payments is provided and that all payments are in compliance with the project contract. This is reflected in the Policy and Procedures Manual. As indicated previously, the only instances where we do not require supporting invoices relate to projects carried out with entities such the Marine Institute, the Canadian Centre for Fisheries Innovation, and Memorial University of Newfoundland. These organizations have established accounting divisions and practices, and maintain records that support our requirements. We now require, however, that such entities provide a detailed summary of all incurred costs with respect to each project. All FTNOP proponents are required, as per clauses 23 and 24 of the FTNOP contract, to keep and make available their supporting invoices for a five-year period for review by the Department.*

Future Action Plan(s)

Ongoing liaison will be conducted with development staff to ensure they are acquiring and providing supporting documentation needed on all files. All FTNOP payments will continue to be vetted through the financial analyst, prior to being paid, for a final verification of supporting documentation."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 10

The Department should ensure projects are not funded in excess of actual costs and funding limits.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that following an internal review of the identified project in December 2009, the Department recovered additional invoices from the proponent for this project, and adjustments were made accordingly.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"In the one case where funding exceeded supporting invoices on file, the client has since provided additional supporting invoices for all eligible work, and the file is now complete and in order.*

Future Action Plan(s)

The financial analyst will ensure that required supporting documentation is on file prior to releasing any payments and that all payments are in compliance with the project contract terms."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 11

The Department should establish procedures to ensure funding methods are consistent among approved projects.

Entity's response from previous report

The Department did not specifically address this issue in its response to our 2009 Report.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"A formal FTNOP evaluation was completed in January 2011, and recommendations are being implemented. Funding level guidelines have been clarified in the Policy and Procedures Manual, and they stipulate the maximum level of funding that is to be made available to the private sector, and institutions and other non-profit groups or agencies where industry-wide benefit is accrued. The consultant who conducted the evaluation found that upon review of the project listings, the Policy and Procedures Manual, and discussions with staff and clients, the projects approved and funding methods applied were consistent with the Program rationale and objectives in a vast majority of cases.*

Future Action Plan(s)

Liaison with project officers will continue, and annual training sessions/meetings regarding Program requirements will be scheduled. Additionally, the Director of Innovation and Development and the financial analyst will ensure that funding methods are consistent with FTNOP guidelines."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 12

The Department should ensure the FTNOP is monitored in accordance with its Policy and Procedures Manual.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that the FTNOP evaluation framework had been completed and would be implemented in early 2010. This framework included a review and audit process that would encompass the full duration of the program.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Policy and Procedures Manual was amended following the review by the Auditor General's Office. Project monitoring has been conducted to ensure compliance with policies and procedures, to ensure that funds were used for the approved purpose, to determine whether the funded projects were successful, and to determine whether FTNOP met its overall objectives. A training session was held with development staff, and one-on-one meetings were held to ensure this was carried out and that updates to the manual were understood. In a client survey conducted as part of the FTNOP evaluation, there was very positive feedback with respect to the project officers and the level of support they provide to the industry on projects. A total of 85 percent of respondents in the client survey and 100 percent of respondents in the on-line survey indicated that the project officer provided good overall support and monitoring during their specific project.*

Future Action Plan(s)

Efforts will continue to ensure project officers comply with requirements regarding monitoring, site visits (where appropriate), and effective follow-up, including providing support to clients."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 13

The Department should review and document the reasons for any variances between proposed activities and actual activities.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that the Project Officer worked in close cooperation with the proponent to develop an appropriate Terms of Reference for each project, and to ensure the final report contains the necessary details of the project. The information contained within the report must meet the satisfaction of the Minister. Therefore, before a project is signed off as completed, the Project Officer must be satisfied with the contents of the report.

The Department also indicated the Policy and Procedures Manual (section 4.5) states that, *"a comprehensive written report detailing the progress and results of the project must be submitted by the proponent within 30-60 days of the project completion date…"*. The Department indicated they had reviewed their files and found that there was an acceptable final report for all completed projects.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The project officer always works closely in cooperation with the proponent to develop an appropriate proposal and activities that will be encompassed in each project. When the project is completed, the officer practices due diligence in ensuring the final report contains satisfactory information to demonstrate the actual work plan was effectively executed before the holdback payment is disbursed. All information contained within the report must meet the Department's requirements, and the project officer must be satisfied with the contents of the report. We must be cognizant of the nature of the wild fishery, related research work, and markets. Resource assessment projects, research work, and market development projects are impacted by factors such as catch levels, seasonality, and global issues, and therefore work plans must be flexible. Any*

changes in the project activities and deliverables, if necessary, are made in consultation with the Department.

Future Action Plan(s)

Ongoing liaison with project officers will continue to ensure activities and actual outcomes are reviewed and monitored. The Director of Innovation and Development and the financial analyst will ensure that contract wording specifies that deliverables are in line with the scope and overall project effort."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 14

The Department should develop performance indicators and compare actual results to these indicators.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it had completed the FTNOP evaluation framework, which would be implemented in early 2010. The framework would include performance indicators to measure the success of achieving the program's targets and objectives. The baseline data to complete this work was on file. The performance assessment would require an analysis of project outputs and results, measured against intended outcomes and objectives.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Pisces Consulting Limited was contracted by the Department of Fisheries and Aquaculture in the fall of 2010 to undertake an "Evaluation of the Fisheries Technology and New Opportunities Program (FTNOP)." This evaluation included a review of the findings of the Office of the Auditor General. The final report on the consultant's evaluation was delivered to the Department in January 2011. This evaluation was carried out*

in keeping with recommendations of the 2010 Auditor General's Report on FTNOP and to meet the requirements of Government regarding program evaluation and assessment. The consultant noted: "FTNOP was a very successful initiative under the Fishing Industry Renewal Strategy. FTNOP showed adherence to program rationale and objectives, with a strong Policy and Procedures Manual and a history of continual improvement. There was strong industry support for the FTNOP and its continuation, with a high level of funding leverage achieved by the Program. Strong program uptake was evident in both the processing and harvesting sectors. The FTNOP was well promoted and known to industry." In terms of performance indicators, many projects have provided measurable results and significant benefits to industry clients. There was evidence of a strong level of human resource support and experience/expertise, and partnerships with industry and institutions were strengthened.

Future Action Plan(s)

A final review will be done on the indicators and actual results of the Program, which will be used to improve delivery on FTNOP successor programs."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to develop performance indicators and compare actual results to these indicators.

Recommendation No. 15

The Department should reconcile the Province's FMS to the Project Management System.

Entity's response from previous report

The Department did not specifically address this issue in its response to our 2009 Report.

Fisheries Technology and New Opportunities Program (2009 Annual Report, Part 2.5)

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"A financial analyst position was put in place approximately mid-way through the Program. A major responsibility of this position is to reconcile the Province's FMS with the FTNOP project management system. This is fully complete, and all projects and payments are now fully reconciled.*

Future Action Plan(s)

Regular program reconciliation will continue on all FTNOP work and any upcoming FTNOP successors."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.22

DEPARTMENT OF HEALTH AND COMMUNITY SERVICES

LABRADOR-GRENFELL REGIONAL HEALTH AUTHORITY

**(2007 ANNUAL REPORT, PART 2.9;
UPDATES: 2009, PART 2.16; 2010, PART 2.22)**

Labrador-Grenfell Regional Health Authority
(2007 Annual Report, Part 2.9; Updates: 2009, Part 2.16; 2010, Part 2.22)

Introduction

Our 2007 Annual Report included a review of the Labrador-Grenfell Regional Health Authority (the Authority) at the Department of Health and Community Services. We conducted our review 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

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

- 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.
- 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.
- The Authority did not tender for 15 purchases totalling $1,309,761, each of which were over $10,000, did not obtain quotes for 5 purchases under $10,000 totalling $33,997, 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.

- The Authority was not adequately controlling and monitoring its travel and relocation expenditures and was not complying with Government's travel and relocation policies.

- 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 three 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 addition, in this case, the Authority had not reviewed the service arrangement since it was first put in place in 1998.

- 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 when 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 our 2010 Update Report we concluded that 3 of the original 24 recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Authority requesting an update as to what progress had been made on the 3 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Authority should integrate its accounts receivable systems, properly age patient receivables, and ensure adequate follow-up on all receivables.*

2. *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.*

3. *The Authority should capture and monitor vehicle costs by vehicle and maintain vehicle logbooks.*

Information we requested

The Authority was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Authority has made progress in addressing the recommendations from our 2007 Annual Report, 3 of the original 24 recommendations had only been partially implemented.

We agree with the Authority's position that the recommendation number 3 has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, the Authority will need to record vehicle movement and monitor the related vehicle expense.

We agree with the Authority's position that the recommendation numbers 1 and 2 have been partially implemented. However, we will not follow-up on these recommendations again next year as the Authority agrees with the recommendations and, based on action taken to date by the Authority, we are reasonably satisfied that the issues have been adequately addressed.

Recommendation No. 1

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

In 2010, the Authority informed us that:

- it still maintained two separate systems for its accounts receivable; however, it had taken steps to review both systems to ensure processes and codes were consistent; and

- it would continue to move towards an integrated system. It would continue to work with Western Regional Health Authority to review the Meditech system. It reviews accounts receivable on a regular basis for collections and follow up.

Entity's response to current request

In 2011, the Authority informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Labrador-Grenfell Regional Health Authority continues to maintain two separate systems for its accounts receivable. We have developed consistent practices and implemented a dictionary system which is consistent for both systems. Discussions are still ongoing with respect to a Meditech consolidation with Western Regional Health Authority. We also continue to review our accounts receivable on a regular basis, in accordance with our policy, to determine accuracy and aging."*

Our conclusion

Follow-up Not Required

We agree with the Authority's position that this recommendation has been partially implemented. However, we will not follow-up on this recommendation again next year as the Authority has implemented other controls to compensate for weaknesses identified with the two separate accounts receivable systems.

Recommendation No. 2

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

In 2010, the Authority informed us that it had developed a Capital Asset Acquisition form and prepared a "Draft" Capital Asset Policy. It indicated it would finalize and approve this policy. New capital assets were being recorded and tracked; however, a capital asset ledger listing previously purchased capital assets had yet to be developed. It was exploring various software programs that might be suitable for its needs.

Entity's response to current request

In 2011, the Authority informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The authority has implemented a new Capital Asset Acquisition form and developed a Capital Asset Policy which has been approved and implemented by Senior Executive. Capital asset additions are now being recorded and tracked but a capital asset ledger listing of previously purchased capital assets had yet to be developed. We have recently implemented a Capital Maintenance Management System (CMMS) that will eventually record all capital assets for preventative maintenance purposes. Labrador-Grenfell Regional Health authority is also reviewing a software program that will be used for all future capital projects and additions, as well as tracking previously acquired assets."*

Our conclusion

Follow-up Not Required

We agree with the Authority's position that this recommendation has been partially implemented. However, we will not follow-up on this recommendation again next year as the Authority has developed policies and procedures and implemented a system for recording, controlling and monitoring all new capital asset additions.

Recommendation No. 3

The Authority should capture and monitor vehicle costs by vehicle and maintain vehicle logbooks.

Entity's response from previous report

In 2010, the Authority informed us that it agreed with our recommendation; however, it had not implemented the required changes to comply. It had assigned responsibilities and had undertaken some investigation to identify an appropriate software package that would allow for the proper recording of vehicle movement as well as the related vehicle expense monitoring. Its goal was to have an adequate process in place by the end of the 2010-11 fiscal year.

Labrador-Grenfell Regional Health Authority
(2007 Annual Report, Part 2.9; Updates: 2009, Part 2.16; 2010, Part 2.22)

Entity's response to current request

In 2011, the Authority informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Labrador-Grenfell Regional Health Authority is presently investigating a Fleet Management process that should address the controls and tracking identified through the Auditor General's review."*

Our conclusion

Follow-up Required

We agree with the Authority's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Authority will need to record vehicle movement and monitor the related vehicle expense.

PART 2.23

DEPARTMENT OF HEALTH AND COMMUNITY SERVICES

LIVING ARRANGEMENTS FOR CHILDREN AND YOUTH

(2009 ANNUAL REPORT, PART 2.8)

Living Arrangements for Children and Youth (2009 Annual Report, Part 2.8)

Introduction

Our 2009 Annual Report included a review of Living Arrangements for Children and Youth within the Child, Youth and Family Services Program of Eastern Health. We conducted our review to determine whether client files contained sufficient documentation to ensure that all payments were in accordance with policy, were properly approved, adequately supported and accurately recorded in Eastern Health's financial records.

What we found

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

Eastern Health, through the Child, Youth and Family Services Program (the CYFS Program) is responsible for administering services to children and youth in need.

Code 79 expenditures represent specific types of costs for children and youth with specific needs. Specific needs can include children and youth with either behavioural and/or anti-social impairments or children and youth who, because there is no placement available, cannot be placed in a caregiver home (foster care). These expenditures are comprised of costs associated with one of four living arrangements: Alternate Living Arrangements (ALAs), Independent Living Arrangements (ILAs), Out-of-Province Placements (OPPs) and Group Homes – Code 79 Block Funding. Total Code 79 expenditures amounted to $6.5 million related to 73 children and youth in fiscal 2008, and $13.5 million related to 128 children and youth in fiscal 2009.

Our review of these Code 79 expenditures and living arrangements during the 2008 and 2009 fiscal years indicated that there were significant issues with regards to escalating costs, documentation, policies and procedures, and how service providers were selected. Our findings are as follows:

Code 79 Costs

Code 79 expenditures have steadily increased from $3.0 million in 2005 to $13.5 million in 2009, an increase of 350%. From 2008 to 2009, expenditures increased from $6.5 million to $13.5 million, an increase of 108%. In 2008 there were 73 individuals in living arrangements while in 2009 this increased to 128, an increase of 75%. In 2010, Code 79 expenditures are expected to total in excess of $17 million, an increase of 26% in one year and an increase of 467% from 2005. Information on the numbers of individuals in living arrangements was not readily available prior to 2008.

The living arrangements funded under Code 79 are expensive. The average cost in 2009 of the 10 highest costing living arrangements per child were as follows:

- ALA - $268,000 (ranging from a high of $615,000 to $157,000);
- ILA - $241,000 (ranging from a high of $379,000 to $167,000);
- OPPs - $147,000 (ranging from a high of $263,000 to $93,000); and
- Group Homes (Code 79 Block Funding) - $157,000.

We also found that the increase in the ALAs significantly exceeded the overall Code 79 expenditure increases in that while Code 79 expenditures increased from $6.5 million to $13.5 million or 108% between 2008 and 2009, the expenditures relating to ALAs increased from $2.0 million to $7.1 million or 255% during that same period. Officials have attributed this significant increase to the fact that placement at caregiver homes (foster care) was not available.

Discussions with Eastern Health officials indicated that the intent of the ALAs is to provide temporary living arrangements for individuals who require and are suitable for placement in caregiver homes (foster care) while waiting for placement. ALAs can also be used for individuals waiting for placement in a group home or an out-of-province treatment facility. Officials indicated that by "temporary" they mean until a suitable placement in a caregiver home, group home or treatment facility (depending on the child's needs) is secured. We found the length of time individuals were in the 16 ALAs that we examined ranged from 4 months to 27 months. Of the 16, 10 individuals were in ALAs in excess of 12 months.

Documentation and Policies and Procedures

Although the Department of Health and Community Services has a Provincial Standards and Policies Manual which is used by Eastern Health for the CYFS Programs, it does not include reference to the Code 79 living arrangements which comprise the largest expenditures in the CYFS Program ($13.5 million or 51% of $26.4 million in 2009).

Without policies and procedures to outline the requirements with regards to documentation, approval, assessment, eligible costs and monitoring it is not possible to ensure that staff are consistent in their application of the Code 79 funding and that appropriate documentation is on file. Through discussion with Eastern Health officials, we were able to determine the process which should be followed. The lack of formal policies and procedures has resulted in individuals being placed in living arrangements without adequate or consistent documentation to support the arrangement.

We found inconsistencies in the documentation on file during our sampling of 31 files as follows:

- In 5 files there was no Individual Support Service Plan (ISSP). An ISSP is required for each child in the care of the Director per the Standards and Policy Manual. This plan is completed in consultation with external parties and guides service provision with a view to selecting the most appropriate service for the individual. As a result, Eastern Health cannot demonstrate that the most appropriate living arrangement was chosen.

- In 2 files there was no Plan of Care. This plan, for the most part, is completed internally and guides service provision with a view to selecting the most effective service for the individual. As a result, Eastern Health cannot demonstrate that the most effective living arrangement was chosen.

- In 12 files (5 - ILAs and 7 - ALAs) there was no approval from the Manager of Community Corrections, Youth and Residential Services for the selection of the living arrangement. As a result, there is no evidence of management approval of the living arrangement.

- In 11 files there was no documentation to evidence that ongoing assessments for individuals in ALAs were completed to determine whether another, more effective arrangement was available. Because the ALA is supposed to be a short-term arrangement, this ongoing assessment is necessary to determine whether the ALA is still necessary.

- In 1 file there was no referral form on file to support the placement of individuals in a group home. As a result, there was no evidence on file to demonstrate that a social worker had made this assessment and referral.

How Service Providers Were Selected

We found that two service providers received a total of $4.6 million in 2008 (Caregivers - $3 million and Waypoints - $1.6 million). In 2009, the total increased to $10.1 million or 120% (Caregivers -$8.1 million and Waypoints - $2.0 million). In 2009, this $10.1 million represented 75% of all expenditures relating to Code 79. We determined the following:

- There was no contract on file with Caregivers outlining the terms and conditions of the arrangement. As a result of not having any measurable criteria or deliverables, Eastern Health was not able to assess the effectiveness of the service provided.

- There was no documentation on file to show how these two service providers were selected. As a result, Eastern Health was not able to demonstrate that the cost of the services being provided was competitive and that the services being offered were the most effective at that time.

- Officials at Eastern Health indicated that they have no plan of calling for proposals for these services because, in their opinion, these service providers are considered sole source given the extent and volume of the service they can provide.

Although caregivers in caregiver homes (foster care) are required to go through a formal education, assessment and approval process, there was no evidence on file to show that a similar process was followed for the service providers (such as Caregivers and Waypoints) involved with the ILAs, ALAs and Group Homes. As a result, Eastern Health cannot ensure that the standard of care provided is similar to what is provided in caregiver homes (foster homes).

Our follow-up

In March 2011, we contacted Eastern Health requesting an update as to what progress had been made on the ten recommendations as of 31 March 2011. The recommendations are as follows:

1. *Eastern Health should ensure that services are obtained through a competitive process where possible.*

2. *Eastern Health should ensure that required documentation (ISSPs and Plans of Care) concerning service provision for a client is on file and updated.*

3. *Eastern Health should ensure that all invoices are reviewed by the social worker responsible for Code 79 expenditures.*

4. *Eastern Health should ensure that all invoices have been marked as paid, thus, reducing the possibilities of double payments occurring.*

5. *Eastern Health should ensure that each payment is supported by appropriate documentation, reducing the possibility of inappropriate, incorrect or fraudulent payments being made.*

6. *Eastern Health should ensure that letters signed by the proper authority are on file approving the ILA as a treatment option.*

7. *Eastern Health should ensure that letters signed by the proper authority are on file, indicating the approval of the ALA as a temporary measure.*

8. *Eastern Health should ensure that regular client assessments are documented and on file.*

9. *Eastern Health should ensure that all possible measures are taken to ensure that the time spent in an ALA is minimal.*

10. *Eastern Health should ensure that all group home referral forms, documenting the need for this type of treatment, are on file.*

Information we requested

Eastern Health was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plans and other relevant comments to demonstrate the level of implementation indicated.

Living Arrangements for Children and Youth (2009 Annual Report, Part 2.8)

Overall conclusion

While Eastern Health has made progress in addressing the recommendations from our 2009 Annual Report, 2 of the original 10 recommendations have not been implemented.

We disagree with Eastern Health's position that recommendation numbers 1 and 3 have been fully implemented because Eastern Health has indicated that that the *Public Tender Act* does not always apply in acquiring certain services for children and youth in need and that it is the responsibility of the Program Manager to authorize invoices for payment. We maintain that there is often more than one supplier of these services and as such the services should be obtained through a competitive process where possible and that these invoices should be reviewed by the social worker responsible before these invoices are authorized for payment. However, given Eastern Health's position on these recommendations, further follow-up will be of no further benefit.

We agree with Eastern Health's position that recommendation numbers 2, 4, 5, 6, 7, 8, 9 and 10 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

Eastern Health should ensure that services are obtained through a competitive process where possible.

Entity's response from previous report

In 2009, Eastern Health informed us that:

- they follow the *Public Tender Act* and Treasury Board guidelines in all instances where product or service details can be specified so that a competitive bidding process is likely to make available a suitable product or service at the best possible price;
- Eastern Health's child protection professionals were not of the opinion that reasonable specifications could be developed to address the range of needs of vulnerable children taken into care in very short timeframes and under very different but always stressful circumstances;
- they are aware of the capacity and capabilities of all of the providers of these services in this region and use judgment of professionals in deciding which arrangement with which provider will be in the best interest of the child in care; and

- the welfare and safety of the child is paramount and that cost is always a secondary consideration. Furthermore, the service is only utilized when there are no other care options available.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Eastern Health continues to follow the Public Tender Act *and Treasury Board guidelines in all instances where product or service details can be specified so that a competitive bidding process is likely to make available a suitable product or service at the best possible price. Eastern Health continues to assess the capacity and capabilities of these services. The professionals who decide which provider service is most appropriate make these decisions based on the best interest of the child in care, the welfare and safety of the child is paramount."*

Our conclusion

Follow-Up Not Required

We disagree with Eastern Health's position that this recommendation has been fully implemented because Eastern Health believes that the *Public Tender Act* does not always apply in acquiring certain services for children and youth in need. We maintain that there is often more than one supplier of these services and as such the services should be obtained through a competitive process where possible. However, given Eastern Health's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 2

Eastern Health should ensure that required documentation (ISSPs and Plans of Care) concerning service provision for a client is on file and updated.

Living Arrangements for Children and Youth (2009 Annual Report, Part 2.8)

Entity's response from previous report

In 2009, Eastern Health informed us that:

- they understood the importance of ensuring ISSPs are prepared and on file; and
- they also agreed that Plans of Care are critical for children under the age of 16 and that they require regular updates.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Children under the age of 16 in the Voluntary Care of a Director are placed with parental consent, copy of which is placed on the file. Plans for care for children in the Temporary Custody of a Director are filed with the court. A copy is provided to the parent and is placed on the child's file. Children in the Continuous Custody of a Director have their Plans of Care reviewed annually through a Custody Review Committee. A copy of that report is placed on the child's file."

Our conclusion

Follow-Up Not Required

We agree with the Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

Eastern Health should ensure that all invoices are reviewed by the social worker responsible for Code 79 expenditures.

Entity's response from previous report

In 2009, Eastern Health informed us that they did not require the approval of a social worker prior to the payment of the Code 79 invoices. The current delegation of authority for those expenditures required the approval of the appropriate social work program manager prior to payment.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Eastern Health continues to require Program Manager to authorize the payment of ALA/ILA invoice."

Our conclusion

Follow-Up Not Required

We disagree with Eastern Health's position that this recommendation has been fully implemented because while Eastern Health has indicated that it is the responsibility of the Program Manager to authorize invoices for payment, we maintain that these invoices should be reviewed by the social worker responsible before these invoices are authorized for payment. However, given Eastern Health's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 4

Eastern Health should ensure that all invoices have been marked as paid, thus, reducing the possibilities of double payments occurring.

Entity's response from previous report

In 2009, Eastern Health informed that they agreed with the recommendation that all invoices should be stamped 'paid' once processed.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"It is the practice of the Client Services Department to stamp paid on invoices which have been paid."

Our conclusion

Follow-Up Not Required

We agree with Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

Eastern Health should ensure that each payment is supported by appropriate documentation, reducing the possibility of inappropriate, incorrect or fraudulent payments being made.

Entity's response from previous report

In 2009, Eastern Health informed us that in regard to the one instance involving required documentation; they felt that the financial information request submitted for payment met the criteria for payment as it contained the appropriate approval from the program manager and clearly outlined the nature of the request and was within policy.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Eastern Health continues to require appropriate documentation to support payment for services rendered."

Our conclusion

Follow-Up Not Required

We agree with the Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

Eastern Health should ensure that letters signed by the proper authority are on file approving the ILA as a treatment option.

Entity's response from previous report

In 2009, Eastern Health informed us that they agreed that there should be appropriate documentation on file to indicate management approval of an ILA.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Eastern Health requires Senior Manager's written approval of Individualized Living Arrangements to be placed on file. There are processes in place which direct staff to seek this approval."

Our conclusion

Follow-Up Not Required

We agree with Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

Eastern Health should ensure that letters signed by the proper authority are on file, indicating the approval of the ALA as a temporary measure.

Entity's response from previous report

In 2009, Eastern Health informed us that they agreed that documentation approving an ALA should be on file.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Alternate Living Arrangements (ALAs) are a temporary measure until a more appropriate residential option can be secured. There are processes in place which document the placement of a child (children) into an ALA. Eastern Health monitors transitions to and from ALAs on a weekly basis. Eastern Health partners with the Department of Child, Youth and Family Services in developing strategies to minimize the use of staffed emergency placement options for children."

Our conclusion

Follow-Up Not Required

We agree with Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 8

Eastern Health should ensure that regular client assessments are documented and on file.

Entity's response from previous report

In 2009, Eastern Health informed us that children are never assessed for placement in an ALA; instead, this is an emergency option that exists only because the most appropriate/effective placement is not available. However, they did agree that there should be documentation on file which included evidence of ongoing program meetings for each ALA. Program meetings review whether all options for individual children are being explored.

Entity's response to current request

In 2011, the Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"All children in the care of the Director of Child, Youth and Family Services have an assigned Case Manager who is accountable for the development of the child's case plan. In an effort to reduce ALAs, Eastern Health meets regularly with the Department and other authorities to explore all residential options available to children in care across the Province."

Our conclusion

Follow-Up Not Required

We agree with Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

Eastern Health should ensure that all possible measures are taken to ensure that the time spent in an ALA is minimal.

Entity's response from previous report

In 2009, Eastern Health informed us that they agreed that the length of time a child is housed in an ALA should be as short as possible.

Entity's response to current request

In 2011, Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Alternative Living Arrangements are utilized as the last placement option for children in care. Social workers explore whether there are significant other, foster or group home placements available for all children entering the Director's care. Eastern Health continues to monitor ALA placements on a weekly basis. The movement of children in and out of care are reported through the Management System to the Director of Child, Youth and Family Services to ensure placement vacancies are reviewed continuously."

Our conclusion

Follow-Up Not Required

We agree with Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 10

Eastern Health should ensure that all group home referral forms, documenting the need for this type of treatment, are on file.

Living Arrangements for Children and Youth (2009 Annual Report, Part 2.8)

Entity's response from previous report

In 2009, Eastern Health informed us that they understood the importance of ensuring that group homes referral forms are on file. For the one instance noted in the report of there being no group home referral form on file, Eastern Health indicated it was subsequently determined that a group home referral was appropriately completed but erroneously filed in the Protective Intervention file for the family rather than in the In Care file.

Entity's response to current request

In 2011, the Eastern Health informed us that the recommendation had been fully implemented.

Furthermore, it indicated that

"Eastern Health continues to ensure that there are appropriate processes in place with respect to group home referrals and documentation of same is maintained on the child's file."

Our conclusion

Follow-Up Not Required

We agree with Eastern Health's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.24

DEPARTMENT OF HEALTH AND COMMUNITY SERVICES

MEDICAL EQUIPMENT

(2009 ANNUAL REPORT, PART 2.7)

Medical Equipment
(2009 Annual Report, Part 2.7)

Introduction

Our 2009 Annual Report included a review of Medical Equipment at the Department of Health and Community Services and the four Regional Health Authorities (RHAs). We conducted our review to determine whether:

- the Department had a strategic plan that would include multi-year requirements with respect to the acquisition and location of medical equipment resources throughout the Province;
- the Department conducted an annual assessment of medical equipment requirements based on funding requests by RHAs;
- RHAs had policies and procedures in place to establish the need for new and replacement medical equipment.
- RHAs adhered to the *Public Tender Act* to ensure that a fair and reasonable price was obtained for the purchase of medical equipment;
- the Department was monitoring the medical equipment purchased by the four RHAs; and
- RHAs had systems, policies and procedures in place to administer medical equipment inventories.

What we found

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

Each year the Department of Health and Community Services (the Department) allocates medical equipment funding to each of the four Regional Health Authorities (RHAs) – Eastern, Central, Western and Labrador-Grenfell. Medical equipment includes such items as magnetic resonance imagers (MRIs), computed tomography (CT) scanners, ultrasound equipment and hospital beds. Over the four fiscal years 2005 to 2008, the RHAs submitted budget requests for medical equipment expenditures totalling $132 million, of which the Department approved a total of $70 million. In 2008, a total of $48 million was requested, of which $39 million was approved.

Our review indicated deficiencies at the Department with regards to the allocation and monitoring of medical equipment funding. As well, there were issues identified at the RHAs relating to the adequacy of controls over medical equipment. For example:

Inadequate Needs Assessment

There was no Province-wide assessment of RHA medical equipment requirements. As a result, there was no strategic multi-year plan to determine the annual budgetary requirements. Instead, medical equipment funding was provided based on an annual priority list submitted by each RHA. Medical equipment requirements were not assessed relative to the overall needs of the Province considering items such as waitlists, age of equipment, equipment condition reports and obsolescence.

In 2009 it was determined that approximately $200 million would be required over the next four years to address priority equipment needs. However, the priority equipment needs were determined by the RHAs and were not based on an overall Provincial need. There was no evidence that the estimated four year requirement was approved by Government.

Inadequate Monitoring of RHA Medical Equipment Purchases

The Department did not adequately monitor how RHAs spend capital funding relative to approved budgets. For example:

- There was no requirement for the RHAs to advise the Department in cases where capital equipment purchases significantly differed from the approved budget or final tendered price.

  To illustrate, in 2008, the Western RHA budgeted $2.9 million for the purchase of a 64-slice CT scanner that was quoted under tender at only $1.9 million; however, the RHA purchased a 320-slice CT scanner at a cost of $3.3 million. The RHA did not request approval to spend the additional $1.4 million for the upgraded CT scanner.

- Required quarterly reports were not always being submitted to the Department by the RHAs. In addition, the ones that were submitted were not reviewed by the Department. Furthermore, the Department had not established a format in which the quarterly reports were to be submitted.

As a result, the Department did not know if RHAs spent the money in accordance with the approved budget.

Inadequate Assessments of Medical Equipment Requirements

Although many of the medical equipment items listed on the priority list are of significant value e.g. up to $7 million for one item, the Department did not require the RHA to provide any documentation to support the cost estimate of any items provided in the priority list, nor did the Department determine the reasonability of the cost estimates of the higher value items on the priority list. As a result, the Department did not know if the estimates are reasonable.

To illustrate, in 2007-08, the Western RHA budgeted $4.5 million for the purchase of a 16-slice and 64-slice CT scanner; however, the tender prices totalled $3.2 million. As a result, the budget request was not accurate. In this instance, there was no evidence to suggest that the Department questioned the reasonability of the $4.5 million.

Non-compliance with the *Public Tender Act*

There were instances of non-compliance with the *Public Tender Act*. For example, in one instance the lowest tendered bid was not accepted by the Central RHA and the Government Purchasing Agency (GPA) was not notified as required under the *Act*. Officials at the Central RHA indicated that since this was not a public tender there was no requirement to notify the GPA that a bid other than the lowest had been accepted. However, our review of documentation supplied by GPA confirms that this was indeed a public tender. In this case, the low tender was approximately $511,000 while the accepted tender was approximately $810,000 – a difference of $299,000. Officials indicated that the more costly equipment was purchased because of physician preference.

Inadequate Monitoring of Medical Equipment Inventories

Controls over medical equipment were inadequate at all four RHAs. For example:

- Only three of the four RHAs (Eastern, Central and Western) had a computer system to track medical equipment. However, none of the RHAs could determine whether all medical equipment was recorded in the system because the systems are not reconciled to financial records.

- Not all relevant information such as cost and age on each piece of medical equipment was captured in the computer systems. As a result, not all information required for management purposes was readily available.

- While all four RHAs indicated that they had a capital equipment management committee, only the committee at the Eastern RHA had regular meetings, kept detailed minutes and addressed equipment management issues such as budgeting and purchasing (*Public Tender Act* and lease versus buy). The other RHAs either did not meet on a regular basis, did not keep minutes or dealt mainly with only the annual budget.

- Only three of the four RHAs (Eastern, Central and Labrador-Grenfell) have contracted a service to notify them of alerts and hazards related to medical equipment. We note that although the Western RHA did have this service and stopped, they are currently looking at reinstituting this service as well. As a result, the Western RHA could inadvertently miss an important alert or hazard relating to medical equipment.

- Only two of the four RHAs (Eastern and Central) had specific policies which required that either new equipment or equipment obtained for evaluation or loaner purposes be tested to determine whether the equipment was safe for patient use.

- Controls over the disposal of medical equipment were inadequate. There was no evidence that all equipment removed from the Eastern RHA laboratories was offered to other facilities in the region or to other facilities throughout the Province and that proper disposal procedures were followed. Also, equipment disposals at the Western RHA were not properly documented using established procedures.

Only One RHA has an Evidenced-Based Equipment Assessment System

Officials at all RHAs indicated that a significant amount of medical equipment had or was reaching the end of its normal useful life and that this was due primarily to a lack of capital funding. However, only the Eastern RHA could substantiate this position using an evidenced-based assessment system. Under this system, priority lists for replacement medical equipment identify the age and remaining life of each piece of equipment.

As of 21 October 2008, the Eastern RHA assessment system indicated that medical equipment with an historical cost of approximately $50 million (52.5% of its total medical equipment) had reached the end of its normal useful life. The Eastern RHA also determined that only 48% of its medical equipment was rated as being in good condition, while 17% was in poor condition and 35% was in fair condition.

Without a similar evidenced-based assessment system, the other three RHAs do not have readily available information to support their plans to replace equipment.

Our follow-up

In March 2011, we contacted the Department of Health and Community Services and the four RHAs requesting an update as to what progress had been made on the 6 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department, in collaboration with the RHAs, should develop a formal multi-year plan to address the needs and location of new equipment in the Province. The Department should provide leadership to the RHAs to encourage collaboration among them to address the development of evidence-based systems to assess the status of existing equipment inventories.*

2. *The Department should carry out a more strenuous review of capital equipment submissions, should establish the format for information to be reported to the Department by the RHAs and ensure that the requested information is received from the four RHAs on a timely basis. Furthermore, the information supplied by the RHAs should be compared to the approved budget listings and officials should ensure that any significant deviations from the approved budget listings have been approved by the Department.*

3. *All regional health authorities should comply with all aspects of the* Public Tender Act.

4. *All regional health authorities should establish policies and procedures to ensure that non-tendered situations and special funding arrangements are approved at a high level and challenged on a periodic basis.*

5. *The Department should continue to provide leadership to the RHAs to encourage further collaboration to obtain maximum savings in purchasing equipment.*

6. *All regional health authorities should have policies, procedures and systems in place to provide for the security and effective management of all medical and other equipment.*

Medical Equipment
(2009 Annual Report, Part 2.7)

Information we requested

The Department and the four RHAs were asked to advise whether recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plans and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department and the four (Eastern, Central, Western and Labrador-Grenfell) RHAs have made progress in addressing the recommendations from our 2009 Annual Report, three of the original six recommendations have only been partially implemented.

To fully implement the recommendations, the Department will need to continue their support of the collaboration of the four RHAs in the development of an evidence-based system to assess the status of existing equipment inventories and that could also be used to develop a formal multi-year plan to address the needs and location of new equipment in the Province. In addition, to implement the recommendations, the following action will be required from the four RHAs:

- the Western RHA will need to further improve its contract management process to better monitor contract expiration; and

- the Eastern RHA will need to implement a fixed asset ledger, the Central RHA will need to develop fixed assets systems including physical inventory counts and capital equipment requisition and approval processes, and the Western and Labrador-Grenfell RHAs will need to complete policy and systems development for medical and other equipment.

We agree with the Department's position that recommendation number 1 has been partially implemented and, therefore, we will follow-up on this recommendation again next year.

In addition, we agree with the Western RHA that recommendation number 4 has been partially implemented and we agree with the Eastern, Central, Western and Labrador-Grenfell RHAs that recommendation number 6 has been partially implemented. Therefore, we will follow-up on these recommendations with the applicable RHA again next year.

We agree with the Department's position that recommendation numbers 2 and 5 have been fully implemented and, therefore, no further follow-up is required.

In addition, we agree with the Eastern, Central, Western and Labrador-Grenfell RHAs that recommendation number 3 has been fully implemented and we agree with the Eastern, Central and Labrador-Grenfell RHAs that recommendation number 4 has been fully implemented. Therefore, no further follow-up is required of these recommendations at these particular RHAs.

Recommendation No. 1

The Department, in collaboration with the RHAs, should develop a formal multi-year plan to address the needs and location of new equipment in the Province. The Department should provide leadership to the RHAs to encourage collaboration among them to address the development of evidence-based systems to assess the status of existing equipment inventories.

Entity's response from previous report

In 2009, the Department informed us that it agreed with the Auditor General's recommendation and was supportive of a formal multi-year plan for capital equipment budgeting and procurement. The Department further indicated that it was supportive of and will explore the feasibility of a province-wide equipment inventory system similar to the system at the Eastern RHA for implementing an evidence-based equipment management system.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*The inventory system currently in use by Eastern Health has been explored for use by the other RHAs with them having signed on as part of a province wide contract and all are in the process of implementing the system.*"

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue their support of the collaboration of the four RHAs in the development of an evidence-based system to assess the status of existing equipment inventories and that could also be used to develop a formal multi-year plan to address the needs and location of new equipment in the Province.

Recommendation No. 2

The Department should carry out a more strenuous review of capital equipment submissions, should establish the format for information to be reported to the Department by the RHAs and ensure that the requested information is received from the four RHAs on a timely basis. Furthermore, the information supplied by the RHAs should be compared to the approved budget listings and officials should ensure that any significant deviations from the approved budget listings have been approved by the Department.

Entity's response from previous report

In 2009, the Department informed us that it agreed with the Auditor General's recommendation and that as part of the budget process in 2009-10 and prior years, the Department held discussions with the executive teams of each health authority to review their capital equipment priority listings that were presented to Government as part of the annual budget process. Revisions were made to ensure the highest priority equipment requirements were presented based on health authority need and provincial direction. During 2009-10, the Department also put in place a process that requires all health authorities to identify cases where there are significant tender price savings or overruns. The health authority must get approval from the Department to redirect savings or provide a written request seeking additional funding for the purchase when there is a shortfall. In budget 2010-11, the Department will move forward with developing standards for capital equipment purchasing and reporting and will put in place a standardized reporting format and submission timelines.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that "*For the 2011-12 capital equipment budget submission from the RHAs, the Department developed standard templates on which the RHAs were to submit their capital equipment requests. In addition, in monitoring the 2010-11 capital equipment expenditures by the RHAs, the Department developed a standardized monitoring report which the RHAs were required to complete and submit to the Department on a monthly basis. As well, the Department advised the RHAs, in a letter dated July 13, 2010 that* "any preference to redirect approved funding for capital equipment purchases to another equipment purchase, or to utilize in another capacity any savings resulting from actual purchase costs being less than the budgeted amount, has to be requested in writing to the Department in advance" ."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

All regional health authorities should comply with all aspects of the Public Tender Act.

Entity's response from previous report

In 2009, the Eastern RHA informed us that it concurred with this recommendation.

In 2009, the Central RHA informed us that it is their policy to comply with the *Public Tender Act* whereby a preferred vendor is selected based upon evaluation of the proposals received. Processes are in place to ensure senior level approval is obtained for non-tendered items as well as proper notification of the Government Purchasing Agency. The Central RHA further indicated that in cases where direction is required, under the *Public Tender Act*, it will consult with the Government Purchasing Agency and the Newfoundland and Labrador Health Boards Association.

In 2009, the Western RHA did not specifically address this recommendation in its response but did inform us that it is supportive of compliance with the *Public Tender Act*.

In 2009, the Labrador-Grenfell RHA informed us that it agreed with the recommendation and would work with the Department of Health and Community Services toward its implementation.

Entity's response to current request

In 2011, the Eastern RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that it *"concurs with this recommendation and complies with the* Public Tender Act*."*

In 2011, the Central RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that *"This is stated board policy."*

In 2011, the Western RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that it *"has reviewed the tendering process with all Purchasing employees throughout the organisation to ensure compliance with the* Public Tender Act*. As well, Western Health has developed a process to track and review all purchases greater than $10,000 to ensure they have met all of the requirements of the* Public Tender Act*.*

Western Health has been participating in a number of group purchasing efforts with the other three Regional Health Authorities in an effort to standardize equipment and realize cost savings."

In 2011, the Labrador-Grenfell RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that it *"agrees with the recommendation made by the Office of the Auditor General and continues to work with all those involved within our organization and the Department of Health and Community Services to ensure continuous compliance with its implementation. We have met with those of our staff involved in the tendering process to ensure awareness of compliance requirements."*

Our conclusion

Follow-up Not Required

We agree with the Eastern, Central, Western and Labrador-Grenfell RHAs' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

All regional health authorities should establish policies and procedures to ensure that non-tendered situations and special funding arrangements are approved at a high level and challenged on a periodic basis.

Entity's response from previous report

In 2009, the Eastern RHA informed us that it concurred with this recommendation.

In 2009, the Central RHA informed us that "*Processes are in place to ensure that senior level approval is obtained for non tendered items as well as proper notification of the Government Purchasing Agency*". Central Health further indicated that it provides its approved equipment listing to the other three regional health authorities and that group purchasing is pursued wherever possible under the guidance and direction of the Newfoundland and Labrador Health Boards Association.

In 2009, the Western RHA did not specifically address this recommendation in its response.

In 2009, the Labrador-Grenfell RHA informed us that it agreed with the recommendation and would work with the Department of Health and Community Services toward its implementation.

Entity's response to current request

In 2011, the Eastern RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that it "*concurs with this recommendation. In accordance with the* Public Tender Act*, all non-tendered situations that are exempt from the* Public Tender Act *as per section 3.2 are approved by the delegated head of the Government Funded Body (Eastern Health). In addition, these non-tendered situations are vetted through the Finance Committee of the Board.*

In 2011, the Central RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that *"The Director of Materials Management ensures that the approval process by the CEO, as well as the proper notification of the Government Purchasing Agency, is in place for non tendered items. Also, the addition of the Board policy* "Delegation of Financial Commitments, Expenditures and Disbursements*" details types and amounts of authorization limits for the CEO before Board approval is needed."*

In 2011, the Western RHA informed us that the recommendation had been partially implemented. Furthermore, it indicated that *"All Capital Equipment purchased without tender is required by the* Public Tender Act *to be submitted to the GPA via a Form B. It is both required and the practice at Western Health to have this form signed and approved at the CEO level or designate. Western Health has developed a policy that requires all procurement to be done following the requirements of the* Public Tender Act.

Western Health is currently evaluating a function of Meditech, our Hospital Information System, designed to provide contract management. Upon implementation, this program will track all Service Contracts and Special Funding Arrangements, giving notification to management of the expiration date of the contract. This will alert management to re-evaluate the cost benefit of the special funding arrangement/contract."

In 2011, the Labrador-Grenfell RHA informed us that the recommendation had been fully implemented. Furthermore, it indicated that it *"agrees with the recommendation made by the Office of the Auditor General and continues to work with those involved within our organization and the Department of Health and Community Services in its implementation. All capital purchases (over $3,000 for Labrador-Grenfell Health) now require the completion of a "Capital Request" form that must be signed off at the Senior Executive level. These are reviewed to ensure funding has been identified and approved. All special funding arrangements would be approved by the CEO and/or the VP – Financial Corporate Services."*

Our conclusion

Follow-up Required

We agree with the Eastern, Central and Labrador-Grenfell RHAs' position that this recommendation has been fully implemented and, therefore, no further follow-up is required for these three RHAs.

We agree with the Western RHA's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Western RHA will need to further improve its contract management process to better monitor contract expiration.

Recommendation No. 5

The Department should continue to provide leadership to the RHAs to encourage further collaboration to obtain maximum savings in purchasing equipment.

Entity's response from previous report

In 2009, the Department informed us that it agreed with the Auditor General's recommendation and started this process in 2009-10. The Department advised that as part of the budget process in 2008-09 and again in 2009-10, capital budget approvals directed RHAs to continue to use a joint tender, where feasible, for the purchase of common categories of equipment in order to build on the successes of the joint tendering arrangement and maximize the purchasing potential for equipment. The joint tendering process has been successful in achieving significant savings on medical and diagnostic equipment and the Department plans to continue to work with the RHAs to ensure maximum purchasing capability for capital equipment is achieved.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"In 2010-11, as in the two previous years, the Department indicated to the RHAs via a letter dated July 13, 2010 concerning the capital equipment budget approvals that* "the Department is directing that the health authorities continue the use of joint tender, where feasible, for the purchase of common categories of equipment in order to build on the successes of this joint tendering arrangement to maximize the purchasing potential for equipment in 2010/11." *The Department will continue to work with the RHAs to ensure maximum purchasing capability for capital equipment is achieved."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

All regional health authorities should have policies, procedures and systems in place to provide for the security and effective management of all medical and other equipment.

Entity's response from previous report

In 2009, the Eastern RHA informed us that it *"has comprehensive policies, procedures and systems in place to provide for security and effective management of all medical and other equipment. Eastern Health does not have in place a fixed asset ledger system which periodically totals the dollar purchase cost of equipment and agrees that total to the organization's general ledger of financial accounts. While such systems may add some level of increased security and management of equipment, we understand them to be primarily directed to ensuring the accuracy of financial information. Eastern Health already employs a robust system for equipment security and management based on physical asset tagging and computerized maintenance scheduling and documentation. We are concerned that implementation and maintenance of a dollar cost based fixed asset ledger may consume considerable health care resources without producing an appreciable increase in the effectiveness of our equipment management. Eastern Health will do a "best practices" review in the Canadian health care system for guidance with respect to this recommendation"*.

In 2009, the Central RHA informed us that it does have a Capital Equipment Committee and while this Committee has not been involved in the issue of equipment management accountability, Central Health recognizes the benefits of a more active Committee and agreed with this recommendation. Central Health also agreed that all equipment whether purchased, on loan, or under evaluation should be subject to the same receiving and documentation process.

The Materials Management Department at Central Health is responsible for the proper disposal of equipment within the policies and procedures of the Board. Central Health indicated that it would be reviewing its procedures for the documentation of equipment sale/removal/transfer processes to ensure linkages between Biomedical, Materials Management and Financial Services are appropriate and effective.

Central Health recognizes the need for a perpetual equipment inventory system linked to a fixed asset sub ledger. However, before a fixed asset sub ledger system can be implemented, the Board will need to complete a physical inventory and valuation of equipment. Central Health will be initiating a physical inventory count over the next fiscal year that will be reconciled to its Equipment Inventory Management System.

In 2009, the Western RHA informed us that it is supportive of having policies, procedures and systems in place to provide for the security and effective management of all medical and other equipment**.** Western Health further indicated that it will ensure that detailed minutes are available for the Capital Equipment/Repairs and Renovation Committee. Western Health will develop policies referring to detailed inspections of new, borrowed or evaluated equipment before putting these items in service.

Western Health also indicated that it is currently evaluating the need for the reimplementation of a third party contracted service that will provide notification of alerts and hazards.

Western Health maintains files containing the supportive documents from out of service equipment and surplus equipment and will ensure that equipment disposals are properly documented.

In 2009, the Labrador-Grenfell RHA informed us that it agreed with the recommendation and would work with the Department of Health and Community Services toward its implementation.

Entity's response to current request

In 2011, the Eastern RHA informed us that the recommendation had been partially implemented. Furthermore, it indicated that it "*has comprehensive policies, procedures and systems in place to provide for security and effective management of all medical and other equipment. Eastern Health does not have in place a fixed assets ledger system which periodically totals the dollar purchase cost of equipment and agrees that total to the organizations general ledger of financial accounts. Eastern Health will implement a fully automated Fixed Asset system to reconcile with the General Ledger in 2011/2012.*"

In 2011, the Central RHA informed us that the recommendation had been partially implemented. Furthermore, it indicated that "*this recommendation is considered to be in progress with the following actions occurring or being planned;*

- *Materials Management purchasing and accounts payable systems consolidation commenced in January 2011 and is expected to be finalized in the first quarter of 2011-2012. This is required to integrate all capital equipment purchases under one system and to be able to use a fixed asset sub ledger system.*

- *The physical inventory and retagging of equipment, where necessary, is planned to be done in the first quarter of 2011- 2012. The scanning equipment has been received and the database requirements are now being reviewed.*

- *Once the equipment inventory is completed, ongoing additions, disposal and transfers will be maintained by Material Management and Biomedical Departments.*

- *Central Health's Capital Equipment Committee is in process of reviewing the capital budgeting and planning process and changes will be implemented for the 2011-2012 fiscal year.*

- *Central Health has started the work for implementing an electronic capital equipment requesting and approval process. This is expected to be completed by the fall of 2011."*

In 2011, the Western RHA informed us that the recommendation had been partially implemented. Furthermore, it indicated that it "*has developed policies related to the inspection of all medical and non-medical equipment entering Western Health facilities. As well, a policy has been developed to ensure the consistent recording of all relevant equipment information relating to new equipment entering Western Health facilities. This information is recorded in the Western Health Computerized Maintenance Management System. Finally, a policy has been developed to ensure consistency in the recording of information related to decommissioned equipment. These policies are currently being subjected to the Western Health's internal review and approval process."*

"Western Health has partnered with RASMAS, a third party contracted service provider, to provide notification and management of all hazards and alerts related to medical equipment, medications and products."

In 2011, the Labrador-Grenfell RHA informed us that the recommendation had been partially implemented. Furthermore, it indicated that it *"agrees with the recommendation made by the Office of the Auditor General and continues to work with those involved within our organization, the three other Regional Health Authorities and the Department of Health and Community Services in its implementation. Our goal is to have a system implemented that would be used throughout the Province. Labrador-Grenfell Health has purchased and implemented a Computerized Maintenance Management System for biomedical and medical equipment tracking system that will also provide for routine preventative maintenance procedures. This was implemented in 2010/11 and continues to be updated on a regular basis. A physical inventory and tagging process will be implemented where deemed necessary in 2012. Labrador-Grenfell Health has also commenced preliminary work on an electronic capital equipment requesting, approval and tracking process in addition to the one mentioned above. A consolidation of both systems where appropriate will occur in the next few years. The decommissioning and disposal of capital items is coordinated through our Regional Director of Materials Management and done in accordance with Provincial policies governing such actions."*

Our conclusion

Follow-up Required

We agree with the Eastern, Central, Western and Labrador-Grenfell RHAs' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation with all four RHAs again next year. To fully implement this recommendation, the Eastern RHA will need to implement a fixed asset ledger, the Central RHA will need to develop fixed assets systems including physical inventory counts and capital equipment requisition and approval processes, and the Western and Labrador-Grenfell RHAs will need to complete policy and systems development for medical and other equipment.

Medical Equipment
(2009 Annual Report, Part 2.7)

PART 2.25

DEPARTMENT OF HEALTH AND COMMUNITY SERVICES

MONITORING OF REGIONAL HEALTH AUTHORITIES

(2009 ANNUAL REPORT, PART 2.9)

Monitoring of Regional Health Authorities (2009 Annual Report, Part 2.9)

Introduction

Our 2009 Annual Report included a review of Monitoring Regional Health Authorities (RHAs) at the Department of Health and Community Services (the Department). We conducted our review to determine whether the Department had adequate monitoring processes in place to enable it to evaluate and report on the operations of the RHAs.

What we found

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

Our review indicated that the Department was not adequately fulfilling its responsibilities with regard to the oversight of the four Regional Health Authorities. In particular:

Information to Evaluate Select Programs and Services

- Although the Department uses statistical information to identify variances, it had not established benchmarks to identify issues that would require follow-up.

- Site visits, conducted by Departmental officials, to review programs and services were not adequate. For example, Departmental policy requires quarterly site visits; however, only semi-annual visits were conducted. As well, as a result of the Department not obtaining timely statistical information from the RHAs, Departmental staff did not always have up-to-date information during site visits, which could lead to issues not being identified and reviewed. Furthermore, site visit files did not contain adequate information to support either the work performed by staff or the conclusions reached. In addition, the site visit files were not well organized.

- Because the Department did not always obtain complete statistical information from the RHAs, reports prepared by the Newfoundland - Labrador Centre for Health Information (NLCHI), which provided information on performance indicators, could not be prepared for all functional areas or sites. As a result, performance for all functional areas and sites was not adequately monitored.

- Where complete statistical information was obtained and reports prepared, and where significant variances were evident, there was no indication or explanation as to the reason for the variance or what action, if any, was taken to address the variances.

- The Department did not have a policies and procedures manual to assist Board Services Division staff in the monitoring and reporting on RHA programs and services.

Monitoring Financial Performance

- The Department did not always obtain the monthly financial information from the RHAs via the Teledata system on a timely basis.

- The monthly reporting system was not designed to capture capital expenditures. In addition, although RHAs are required to manually prepare quarterly capital reports, they were not always obtained by the Department. As a result, capital expenditures were not being adequately monitored.

- Although the Department uses financial information to identify variances, it had not established benchmarks to identify issues that would require follow-up.

- Site visits, conducted by Departmental officials, to review financial information were not adequate. Departmental policy requires quarterly site visits; however, only semi-annual visits were conducted.

  Furthermore, site visit files did not contain adequate information to support either the work performed by staff or the conclusions reached and the files were not well organized. In addition, Department staff did not always have current financial information available during site visits.

- There was no evidence to indicate whether management followed-up on issues identified in management letters resulting from the annual external audits of RHAs.

- The Regional Health Authorities' Financial Policies and Procedures manual was in draft form since May 2007.

Budget Allocations

The Department did not provide the RHAs with the funding allocations until well into the fiscal year being funded. Although the RHAs submitted their budget requests 5 to 6 months prior to the commencement of the fiscal year, the RHAs were not provided with their approved budget until 3 months after the applicable fiscal year had commenced.

Audit Services Division

Although the Department has an Audit Services Division (primarily for MCP and prescription drug program audits), the Division did not perform internal audits of RHA operations. It was noted the *Regional Health Authorities Act* states that the Minister may audit the accounts of an RHA and that the Department has identified that one of the functions of the Division is to carry out audits of health and community service organizations such as the RHAs.

Our follow-up

In March 2011, we contacted the Department requesting an update as to what progress had been made on the nine recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should assess its budget review and approval process to determine if efficiencies exist in the timeliness of the process.*

2. *The Department should work with RHAs to obtain complete, accurate and timely financial and statistical monitoring information.*

3. *The Department should monitor RHAs' spending of approved capital funding in accordance with Department policy.*

4. *The Department should conduct and document site visits in accordance with its policy.*

5. *The Department should conduct audits of RHAs through the Audit Services Division.*

6. *The Department should analyze information to ensure that variances for key performance indicators are identified, adequately explained and reported annually.*

7. *The Department should establish benchmarks for each performance indicator by Province, region and/or site in order to better evaluate financial and health service activities and support future funding decisions.*

8. *The Department should document its follow-up of internal control weaknesses identified in the RHAs' management letters.*

9. *The Department should have complete and up-to-date policies and procedures related to monitoring programs and services of RHAs as well as their financial performance.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2009 Annual Report, four of the original nine recommendations had only been partially implemented and one of the nine had not been implemented.

We agree with the Department's position that the recommendation numbers 5 and 6 have been partially implemented and the recommendation number 7 has not been implemented; therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the Department will need to:

- establish a strategy and identify resources that will be required to audit all RHAs;
- produce standardized performance reports for all areas and require variances be followed-up and explanations documented; and
- establish benchmarks for each performance indicator.

We agree with the Department's position that the recommendation numbers 2 and 4 have been partially implemented; however, we will not follow-up on these recommendations again next year as the Department agrees with the recommendations and, based on action taken to date by the Department, we are reasonably satisfied that the issues have been adequately addressed.

We agree with the Department's position that the recommendation numbers 1, 3, 8, and 9 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should assess its budget review and approval process to determine if efficiencies exist in the timeliness of the process.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would look at ways to improve the monitoring of the RHAs and the information received from the RHAs.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The 2011-12 budget submission guidelines were issued to the four RHAs on September 2, 2010. These guidelines provided very specific direction with respect to the details of the submission with templates attached for briefing note requirements as well as other budget summary documents and priority rankings. The refinement of the templates and budget summary documents in recent years ensures a consistent standardized submission is received from all the RHAs, which allows for a more efficient review and approval process. The Department will continue to review the budget process with the RHAs for further refinement to make the process more efficient and timely from both the Department and RHAs perspective."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department should work with RHAs to obtain complete, accurate and timely financial and statistical monitoring information.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would look at ways to improve the monitoring of the RHAs and the information that was received from the RHAs.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"For 2010-11 all RHAs are up to date with teledata reporting to the Department, which is the monthly year to date reporting of financial/statistical information. Reporting of statistical information to the Department has also improved with all RHAs now reporting some statistical/workload information to the Department. The Provincial MIS Data Quality Committee and the Department manage the provincial reporting processes to ensure compliance with national health care reporting standards as well as provincial reporting requirements. The Department will continue to monitor the progress of the Provincial MIS Data Quality committee in its ongoing work to improve the reporting of both financial and statistical information to ensure data submitted to the Department is both timely and accurate."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with our recommendation and the Department is working with the RHAs continuously to obtain complete, accurate and timely financial and statistical information.

Recommendation No. 3

The Department should monitor RHAs' spending of approved capital funding in accordance with Department policy.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would look at ways to improve the monitoring of the RHAs and the information that was received from the RHAs.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"For the 2010-11 capital budget approvals for equipment and repairs and renovations, the Department developed a standardized monitoring report which the RHAs were required to complete and submit to the Department on a monthly basis detailing the status of the spending."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Department should conduct and document site visits in accordance with its policy.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would take steps to improve the evaluation and follow-up of RHA performance and operations.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"During 2010-11, the Department has made improvements in its monitoring processes by increasing the number of site visits, and individual and group conference calls with the RHAs. The Department has also made progress with respect to documentation and maintenance of monitoring files and ensuring supporting documentation is included in these files. The Department will endeavor to further improve on its monitoring activities in the upcoming year and ensure that sufficient documentation is on file to support the review process."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with our recommendation and has made improvements in the monitoring processes.

Recommendation No. 5

The Department should conduct audits of RHAs through the Audit Services Division.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would take steps to improve the evaluation and follow-up of RHA performance and operations.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"While the Department has not assigned staff in the Audit Services Division the responsibility to conduct audits of the RHAs, temporary resources have been put in place in 2010-11 to commence reviews of regional health authorities. Once completed, the Department will then be in a better position to determine strategies and resources that would be required to move this recommendation forward."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to establish a strategy and identify resources that will be required to audit all RHAs.

Recommendation No. 6

The Department should analyze information to ensure that variances for key performance indicators are identified, adequately explained and reported annually.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would take steps to improve the evaluation and follow-up of RHA performance and operations.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The Department has produced standardized reports and operational manuals in specific areas regarding Long-term Care and Community Supports. Processes are being refined to identify key performance indicators in select areas for future analysis and reporting to identify variances and to develop action plans to address these variances on an annual basis."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to produce standardize performance reports for all areas and require variances be followed-up and explanations documented.

Recommendation No. 7

The Department should establish benchmarks for each performance indicator by Province, region and/or site in order to better evaluate financial and health service activities and support future funding decisions.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would take steps to improve the evaluation and follow-up of RHA performance and operations.

Entity's response to current request

In 2011, the Department informed us that the recommendation had not been implemented.

Furthermore, it indicated that *"The Department is moving towards the establishment of benchmarks and performance indicators in key areas. For example, Budget 2011 has approved the creation of a new Access and Clinical Efficiency Division which will allow the Department to move towards establishing benchmarks around timely access to health services."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to establish benchmarks for each performance indicator.

Recommendation No. 8

The Department should document its follow-up of internal control weaknesses identified in the RHAs' management letters.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would take steps to improve the evaluation and follow-up of RHA performance and operations.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department is in the process of completing follow-up with the RHAs on the status of implementation of recommendations noted in the management letters from 2009-10."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should have complete and up-to-date policies and procedures related to monitoring programs and services of RHAs as well as their financial performance.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that it would ensure that policies and procedures related to monitoring of RHAs were documented.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department has identified a resource to commence work on developing a policy and procedures manual for the Financial Services Division inclusive of RHA monitoring activities in early 2011-12."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.26

DEPARTMENT OF INNOVATION, BUSINESS AND RURAL DEVELOPMENT

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

(2009 ANNUAL REPORT, PART 2.11)

Newfoundland and Labrador Immigrant Investor Fund Limited (2009 Annual Report, Part 2.11)

Introduction

Our 2009 Annual Report included a review of the Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) at the former Department of Innovation, Trade and Rural Development (the Department) which as of 28 October 2011 is known as the Department of Innovation, Business and Rural Development. We conducted our review to determine whether:

- the Corporation has delivered on its mandate to improve the Provincial economy through investment from the capital in the Fund; and
- the Fund will generate sufficient revenues to cover the 7% commission payable to the Federal Government.

What we found

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

Since the start of the program in April 2005, the fund had grown steadily and amounted to 147.1 million as of 31 March 2009. The fund had grown to 185.1 million as of 30 November 2009 (including 8.3 million in net interest earned).

The Corporation had not made any investments and was therefore not successful in using any of the 176.8 million provided by Citizenship and Immigration Canada (CIC) to improve the Provincial economy. Other than earning interest at a chartered bank, the funds had not been utilized.

All amounts owed to the CIC by the Corporation were guaranteed by the Province under the funding agreement. The rates that the Corporation was receiving on its bank account held a risk that the Corporation would not have sufficient funds to repay the commission fee to the CIC. During our review, we found that if the fund were terminated as of 30 November 2009, it would have had a shortfall of $5.0 million owed to CIC. The Province would have been required to pay this difference.

The Corporation had not made any investments to date, even in sectors of the economy that could use the money under CIC guidelines. Those guidelines allowed for the use of funds in the health and educational sectors, but no such investments had been made as of our review. The Corporation was aware of this guideline and had discussed the matter with the Board, drafting a Cabinet paper on the matter which had not been submitted to Cabinet as of our review.

Newfoundland and Labrador Immigrant Investor Fund Limited (2009 Annual Report, Part 2.11)

Our follow-up

In March 2011, we contacted the Corporation requesting an update as to what progress had been made on the 4 recommendations as of 31 March 2011. The recommendations are as follows:

1. *Government should consider alternative arrangements for use of the funds to maximize the benefit to the Provincial economy.*

2. *Government should consider investing Corporation funds into non-core Government agencies to support capital projects or specific Government programs.*

3. *Government should consider partnerships with private business to promote specific industry growth in the Province.*

4. *Until viable investment options are identified, the Board should consider placing funds into investments with higher yields to ensure that the Fund does not generate a loss on its operations.*

Information we requested

The Corporation was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Corporation has made progress in addressing the recommendations from our 2009 Annual Report, 3 of the original 4 recommendations had not been implemented.

We agree with the Corporation's position that recommendation numbers 1, 2 and 3 have not been implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the Corporation will need to demonstrate:

- evidence of seeking alternative arrangements apart from traditional investment activities;

- that they have approached non-core Government agencies and discussed potential funding opportunities for specific projects; and

- evidence of contacting private businesses in specific industries and hold discussions regarding potential opportunities for funding of projects or initiatives.

We agree with the Corporation's position that the recommendation number 4 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

Government should consider alternative arrangements for use of the funds to maximize the benefit to the Provincial economy.

Entity's response from previous report

In 2009, the Corporation informed us that it acknowledges that no funds had been invested in projects as of our report. It noted that the funds were borrowed from CIC and repayable on a rolling monthly basis commencing on May 31, 2010. As a consequence, any investment made had to be such that the Corporation could meet its obligations as they became due.

It was also indicated that, to the extent that they met CIC guidelines, the Corporation concurred with the recommendations contained in the report and that it was in the process of seeking further direction with respect to investment strategies and the mitigation of short-term interest rate risk.

Entity's response to current request

In 2011, the Corporation informed us that the recommendation had been not been implemented.

Furthermore, it indicated that *"Government revisited this issue in early 2010 and provided approval for any large projects deemed meritorious as part of the 2010/11 budget process to be considered for funding by NLIIFL, subject to the process previously outlined by Government and meeting Citizenship and Immigration Canada's eligibility requirements as determined by the NLIIFL Board. To date, no investments have been made."*

Our conclusion

Follow-up Required

We agree with the Corporation's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Corporation will need to demonstrate evidence of seeking alternative arrangements apart from traditional investment activities.

Recommendation No. 2

Government should consider investing Corporation funds into non-core Government agencies to support capital projects or specific Government programs.

Entity's response from previous report

In 2009, the Corporation informed us that it acknowledges that no funds had been invested in projects as of our report. It noted that the funds were borrowed from CIC and repayable on a rolling monthly basis commencing on May 31, 2010. As a consequence, any investment made had to be such that the Corporation could meet its obligations as they became due.

It was also indicated that, to the extent that they met CIC guidelines, the Corporation concurred with the recommendations contained in the report and that it was in the process of seeking further direction with respect to investment strategies and the mitigation of short-term interest rate risk.

Entity's response to current request

In 2011, the Corporation informed us that the recommendation had been not been implemented.

Furthermore, it indicated that *"Government revisited this issue in early 2010 and provided approval for any large projects deemed meritorious as part of the 2010/11 budget process to be considered for funding by NLIIFL, subject to the process previously outlined by Government and meeting Citizenship and Immigration Canada's eligibility requirements as determined by the NLIIFL Board. To date, no investments have been made."*

Our conclusion

Follow-up Required

We agree with the Corporation's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Corporation will need to demonstrate that they have approached non-core Government agencies and discussed potential funding opportunities for specific projects.

Recommendation No. 3

Government should consider partnerships with private business to promote specific industry growth in the Province.

Entity's response from previous report

In 2009, the Corporation informed us that it acknowledges that no funds had been invested in projects as of our report. It noted that the funds were borrowed from CIC and repayable on a rolling monthly basis commencing on May 31, 2010. As a consequence, any investment made had to be such that the Corporation could meet its obligations as they became due.

It was also indicated that, to the extent that they met CIC guidelines, the Corporation concurred with the recommendations contained in the report and that it was in the process of seeking further direction with respect to investment strategies and the mitigation of short-term interest rate risk.

Entity's response to current request

In 2011, the Corporation informed us that the recommendation had been not been implemented.

Furthermore, it indicated that *"Government revisited this issue in early 2010 and provided approval for any large projects deemed meritorious as part of the 2010/11 budget process to be considered for funding by NLIIFL, subject to the process previously outlined by Government and meeting Citizenship and Immigration Canada's eligibility requirements as determined by the NLIIFL Board. To date, no investments have been made."*

Our conclusion

Follow-up Required

We agree with the Corporation's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Corporation will need to demonstrate evidence of contacting private businesses in specific industries and hold discussions regarding potential opportunities for funding of projects or initiatives.

Recommendation No. 4

Until viable investment options are identified, the Board should consider placing funds into investments with higher yields to ensure that the Fund does not generate a loss on its operations.

Entity's response from previous report

In 2009, the Corporation informed us that, while the short-term investment rates were insufficient to cover the 7% commission fee charged by CIC, there were factors to be considered.

- the Corporation had accumulated a surplus which, with ongoing interest earned, would be sufficient to cover losses being incurred; and
- it was anticipated by the Bank of Canada and various lending agencies that interest rates were poised to begin increasing in the second half of 2010, which would bolster short-term interest earnings thereby reducing or possibly eliminating any losses to the Corporation going forward.

The Corporation also indicated that, had the fund been terminated as at 30 November 2009, the Corporation would have still had a repayment period of up to 5 years, during which time the interest earned on the funds was expected to be more than sufficient to cover the shortfall of $5.0 million. Payments would be made to CIC according to the schedule in the Corporation's audited financial statements.

Entity's response to current request

In 2011, the Corporation informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"this action commenced in June 2010 and to date the Department of Finance has purchased $88 million in government strip bonds on behalf of the Corporation. The remainder of funds will be maintained in the account for future potential investments."*

Our conclusion

Follow-Up Not Required

We agree with the Corporation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.27

DEPARTMENT OF JUSTICE

COMMUNITY CORRECTIONS

**(2006 ANNUAL REPORT, PART 2.11;
UPDATES: 2009, PART 2.21; 2010, PART 2.26)**

Community Corrections
(2006 Annual Report, Part 2.11; Updates: 2009, Part 2.21; 2010, Part 2.26)

Introduction

Our 2006 Annual Report included a review of Community Corrections at the Department of Justice (the Department). 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 reached the following overall conclusions:

We identified issues with the Community Corrections Program. For example, not all offenders were being assessed for risk to re-offend and were not always supervised in accordance with Program guidelines. In particular:

Case Management

An Acknowledgement of Court Order form is to be completed and signed by an offender to document their acknowledgement and understanding of the conditions of the court order. The Branch was not ensuring that these forms were completed. During our examination of records relating to 66 offenders, the Department could not provide completed forms for 16.

The Branch's risk assessment of offenders referred by court order is essential in determining the required level of supervision. The Branch was not adequately performing risk assessments of offenders. During our examination of the risk assessment process related to 66 offenders we found issues with 11. Issues with risk assessment included 9 which were not completed within the required time frame, 1 which was never completed and 1 (a property offence) which was completed incorrectly, resulting in a medium risk level instead of high and therefore less supervision than required.

Case planning is required to determine the role of the Branch and the offender in complying with the requirements of the provisions of the orders. The Branch was not doing a good job in developing case plans. Our review of case plans relating to 66 offenders identified issues with 24. Issues included 16 which did not adequately reflect the conditions in the order or target the relevant criminal factors, 3 which were never completed, 3 which did not reflect the completion of a secondary risk assessment, 1 which did not reflect the completion of a progress review and 1 which was not completed within the required timeframe.

Supervision of offenders is critical to monitor compliance with and enforce conditions imposed by the court. There are significant issues with the Branch's supervision of offenders. Our review of the supervision process relating to 66 offenders identified issues with 19. Issues included 17 with insufficient supervision (1 sexual assault, 2 domestic assaults, 3 other assaults, 6 property offences, 3 traffic offences and 2 drug offences), 1 where the selected supervision for a domestic assault offence was lower than required and 1 where documentation was insufficient to determine whether the offender was being supervised properly.

In addition, we reviewed 33 offenders designated as administratively inactive and no longer being supervised and found that there was no documentation on file to support the elimination of supervision for 5 offenders.

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. During our examination of progress reviews related to 66 offenders, we found issues with 5. Issues included 4 which were not completed within the required time frame and 1 which was never completed.

Information System

The Provincial Correctional Offender Management System is a real-time computerized system through which the Branch can enter information and document the progress of individual offenders through the case management process. We identified the following issues:

- Information contained in System reports was not current. Reports produced by the System in March 2006 indicated that the following were not completed - 103 progress reviews, 64 primary risk assessments and 70 case plans. Although some of these may have been completed, officials indicated that the System may not have been updated. As a result, management does not have access to complete information.

- While staff had access to specific reports concerning case management, the System had a limitation in that not all report capabilities had been activated for use in the overall case management process. Therefore, reports had to be produced by IT personnel.

- The only formal training was upon implementation of the program in 2002, provided to staff in the Branch at that time. In addition, there was no training manual or user manual.

Contractual Arrangements

The Department has entered into four contracts with service providers (John Howard Society and Stella Burry Corporation) to deliver a learning resources program in St. John's, a community based intervention program in Corner Brook and Stephenville, a community re-integration program in St. John's, and a residential addictions treatment program in St. John's. Our review identified the following issues:

- The Department was not complying with Government's policy on the hiring of consultants because no public proposals calls were made and authority from the Lieutenant-Governor in Council for three contracts in excess of $100,000 was not requested.

- The Department paid for services that were never received. For example, the minimum number of contracted hours and/or sessions was not always delivered.

- The Department did not receive sufficient information from contractors to assess program delivery. As a result of the reports not being received or not containing program results, the Department could not evaluate contractor performance.

Other Issues

The Department of Justice leases the equipment required to provide the Electronic Monitoring Program and was required to make monthly payments in accordance with the lease contract. However, the Department was not verifying the accuracy of monthly invoices. We found that, during the period November 2003 to October 2005, the Department overpaid the contractor by $5,466. The Department was not aware of the overpayment until advised by our Office, but has since made provisions to recover the overpayment.

The Department was unable to determine whether the Assistant Adult Probation Officers Program is functioning as intended because of the lack of information to determine compliance with established policies and procedures relating to recruitment (e.g. resumes and criminal record checks) and responsibilities of the officers (e.g. filing monthly reports and performance assessments).

Our follow-up

In our 2010 Update Report we concluded that none of the original four recommendations resulting from our review had been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the four recommendations as of 31 March 2011.

The recommendations are as follows:

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.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Community Corrections
(2006 Annual Report, Part 2.11; Updates: 2009, Part 2.21; 2010, Part 2.26)

Overall conclusion

While the Department of Justice has made progress in addressing the recommendations from our 2006 Annual Report, two of the original four recommendations had not been implemented.

We agree with the Department's position that recommendation number 4 has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, the Department will need to ensure compliance with its policies and procedures relating to the Assistant Adult Probation Officers Program.

We disagree with the Department's position that recommendation number 3 has been fully implemented because the Department has not complied with Government's Consulting Guidelines for community-based programming contracts. We maintain that they should comply with Government's Consulting Guidelines in this regard. However, given the Department's position on this recommendation, further follow-up will be of no further benefit.

We agree with the Department's position that recommendation numbers 1 and 2 have been fully implemented and, therefore, no further follow-up is required.

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

In 2010, the Department informed us that:

Compliance with Department of Justice's policies and procedures was an objective related to the monitoring of performance. This recommendation was "partially implemented" when evaluated against the AG Report on Community Corrections, but would satisfy the prerequisites of the original recommendation by the fall of 2010.

Since September of 2007, usability of the PRA had been disabled on the COM System in support of the LS/CMI. Performance monitoring of the Department's policies and procedures was a continuing function administered under the personal direction of the Chief Probation Officer. All Provincial offices were undergoing operational internal auditing to ensure compliance to all applicable policies and procedures, as well as the balanced phasing out of the previously utilized PRA through administration of the LS/CMI. The methodology employed to conduct operational internal auditing consisted of visits by the Chief Probation Officer who reviewed a representative sampling of individual case files and engaged in a discussion with Case Managers. A total of eleven offices had been completed with the remaining three offices to have their audits completed by June 2010. Inclusive of on-site audit activities; electronic auditing of files through PCOMS had been completed for all offices throughout the province. Complete phase-out of the PRA wass anticipated to occur in September of 2010 through the natural progression of case files, and would accurately reflect policy adherence by October 2010.

The LS/CMI is the risk assessment tool currently utilized by Adult Probation Officers (APO's) for all active clients admitted since September 2007. Any prior existing PRA files still open were a result of being added to the system prior to the introduction of the LS/CMI. Training programs related to the use and administration of the LS/CMI occurred in July 2009 when eleven Adult Probational Officers (APO's) and one Classification Officer (CO) successfully completed the LS/CMI Train-the-Trainer course facilitated by a recognized certified instructor. Two APO's (strategically located within the Province) who have successfully completed the LS/CMI Train-the-Trainer undertook the task of training the remaining APO's and CO's. Hence all APO's and CO's in the Province to date are now certified users of LS/CMI.

From the 22nd - 24th of March 2010, all APO's would be participating in additional training for Motivational Interviewing Training which would be conducted by representative of Orbis and is key to the LS/CMI Training already received. On a go forward basis; any new staff hired by Probation will receive mandatory training by certified Train-the-Trainer APO's, who are strategically located throughout the province, in LSJCMI prior to receiving their case load.

Operational Internal Auditing would continue to be utilized throughout the remainder of 2010 and continue in 2011 (and beyond) as a proactive measure by the Department of Justice to ensure continued compliance to the original directive.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Department of Justice is satisfied that Probation Services has fully implemented this recommendation. In 2010 use of the Primary Risk Assessment (PRA) by Adult Probation Officers (APO's) was phased out in favor of the superior Level of Service / Case Management Inventory (LS/CMI). APO's no longer have access to any features of the PRA, except for historical and informational purposes.

All APO's have received detailed training in the use of the LS/CMI by Probation Services. We have recognized LS/CMI trainers on staff that have successfully completed a Train-the-Trainer program. Additional APO training has included a Motivational Interviewing Training program. Newly hired APO's are required to participate in a Mentoring Program where their work / case files are monitored / critiqued by senior APO's of the Division. A province wide audit of Case Management files was personally conducted by the Chief Adult Probation Officer (CAPO) in 2010 and will continue in 2011."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

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

In 2010, the Department informed us that:

Work completed to date on the AG Report on Community Corrections compared to the initiatives being implemented and planned seemed to specify "partial implementation" of the original recommendation. A Provincial Corrections Offender Management System (PCOMS) Committee had been established to address data integrity and meets on a regular basis.

Members of the committee, who represent all facets of the Provincial Justice system work closely with a representative of the Office of the Chief Information Officer (OCIO), who is also an active member of the committee, in enhancing the system's administrating and reporting capabilities. Members of the PCOMS Committee at the time included the following:

- Manager Standards & Compliance (Dept. of Justice)
- Programmer Analyst (Office of the Chief Information Officer)
- Prison Sentence Administrator (Dept. of Justice)
- Probation Services (Dept. of Justice)
- Captain of Adult Custody (Dept. of Justice)
- Correctional Officer (Dept. of Justice)
- Captain of Adult Custody (Dept. of Justice)
- Supervisor - Adult Probation - (Dept. of Justice)
- Employee (Office of the Chief Information Officer)

The version of the PCOMS software / hardware implemented was scheduled to be updated to the newest release version in the near future, and would continue to operate in conjunction with the Community Corrections auditing process to monitor the timely and complete *input* and output of data.

To ensure the integrity, understanding, and standardization of the work completed by the members of the PCOMS Committee, an updated User Manual was being drafted. The content of the User Manual would in turn form the basis of the content to be contained within training material related to the administration and use of PCOMS. Completion of the User Manual would coincide with the administration and conducting of training to all applicable staff.

In its current format, and maximizing the resources available, new users were to be trained in PCOMS by senior APO's using a mentor-type process. This method of training has proven to be quite effective in communicating comprehension of the PCOMS system and generating data of the process / software.

Processing and administration of the information / data obtained from PCOMS is closely monitored by the Chief Probation Officer who regularly utilizes PCOMS to review a representative sampling of case files from each office as part of the annual operational auditing process.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Department of Justice is satisfied that Probation Services has implemented this recommendation. The report generating capabilities have been activated. Provincial Corrections Offender Management System (PCOMS) committee meetings have occurred in 2010 and will continue throughout 2011 with the ongoing mandate of continuously improving the system.

New builds, upgrades, and improvements relating to PCOMS are approved and communicated to staff by the Chief Adult Probation Officer (CAPO). Senior Adult Probation Officer (APO) mentoring of new staff in PCOMS continues. A standardized checklist has been developed to assist in this mentoring process. A system audit is completed regularly to ensure timely and complete input of data. These improvements assist with the efficiency and the effectiveness of PCOMS.

The members of the PCOMS Committee have recognized the limitations within the PCOMS system. A new system would be desirable, but this is a long-term initiative requiring significant planning and funding and there is no foreseeable development or implementation date at the current time."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

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

In 2010, the Department informed us that:

The first part of the recommendation requiring the Department of Justice to comply with the "Government's Consultant Guidelines" for community-based programming contracts had not been implemented due to the Department's position that it is not applicable based on the nature of the services provided by these contracts.

Following receipt of a legal opinion, the Department of Justice maintained its position as conveyed in the prior year's update. Accordingly, in fiscal year 2009 -10 the Department proceeded on the basis that these contracts were governed by the Public Tender Act and therefore; sole source exception under Paragraph 3(e) was obtained and filed with the Government Purchasing Agency (GPA).

The second part of the recommendation on ensuring that changes in service delivery are reflected in contract amendment and that payment is only made for services delivered had mechanisms implemented to satisfy partial implementation of the recommendation.

For the 2009-10 fiscal year the John Howard Society and Stella Burry Corporation contracts contained a clause requiring that the organizations submit interim reports (mid-term & final reports) to the Department of Justice. The content of the reports were to clearly identify how the funding allocated to the organization had been used in relation to the services that have been provided up to the date of the report.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Department of Justice continues to maintain its position as per previous updates. The Department has proceeded on the basis that these contracts were governed by the Public Tender Act and therefore; sole source under Paragraph 3(e) was obtained following a consultation with the Department's legal counsel to proceed, and filed with the Government Purchasing Agency (GPA).

The second part of the recommendation constituted ensuring that services paid for have been received. This has been addressed by the purchasing process of the Division undergoing a review, revision, and documenting process; and the creation of a "Director of Quality Management & Support Services" position to direct and manage the process. Other aspects of the revision include standardizing and documenting policies and procedures, stricter controls for all phases of purchasing; including the administration of contracts, increased checks and balances, continual monitoring of Departmental contracts and expenditures, and utilizing quality management techniques to standardize processes.

In 2010 – 11, community agencies submitted mid-term and final reports to the Division. In 2011 – 12, contracted community groups will have to submit interim and quarterly statistics reports. The contents of the interim report outlines to the Department how all funding that has been allocated is or has been spent. The statistical reports support the interim report, and will provide a quantitative breakdown of the services. It will contain information such as program syllabus', schedules, number of clients assessed, number of group session offered, number of successful completions, nature of involvement, and the number of hours administered in correlation with the dollar amount spent; including some additional topics specific to the individual contract / organization."

Our conclusion

Follow-Up Not Required

We disagree with the Department's position that this recommendation has been fully implemented because the Department has not complied with Government's Consulting Guidelines for community-based programming contracts. We maintain that they should comply with Government's Consulting Guidelines in this regard. However, given the Department's position on this recommendation, further follow-up will be of no further benefit.

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

In 2010, the Department informed us that :

Although this recommendation had not been fully implemented, the Department commissioned several reviews/studies to provide data related to policy, procedures, and processes for Adult Probation Services. The corrective actions taken in response to the reviews/studies would be used to not only ensure compliance, but to improve the administration in all areas of Probation Services / Supervision, especially in rural/remote locations.

The first initiative undertaken was the Chief Probation Officer requesting an independent organizational review of the St. John's office by the Public Service Secretariat. This review was conducted throughout much of 2009 and focused on Adult Probation Officers (APO's) from the perspective of work flow processes in comparison to case load assignments of the various APO's. This review was still considered active pending the drafting and release of the official report including recommendations for improvement. The approved recommendations from the report would not only be applied to the St. John's office, but to all Provincial Probation offices throughout the Province.

The Department of Justice engaged a consultant to conduct a full external review of Probation Services commencing in February 2010. In addition, a Memorial University Masters of Social Work student working with Adult Probation had completed a report comparing AAPO policies, procedures, and processes of other provincial jurisdictions to the Province of Newfoundland & Labrador. As part of the review the consultant would analyze the report completed by the student and use the information contained within as a reference for his own work.

Additionally, the consultant was provided with the authority to conduct a thorough review of all sectors of Probation Services, including the applicable processes related to the administration and management of services provided to clients. Upon its completion the report would be submitted to the Department of Justice.

This was considered by the Department of Justice to be the most effective means of available resources to accomplish the objective of a full review of Probation Services. The hope was that Probation Services would set in motion positive improvements within Community Corrections in the same manner that the Decades of Darkness report had done for Adult Custody.

Entity's response to current request

In 2011, the Department informed us that the recommendation had not been implemented.

Furthermore, it indicated that:

"Judge Baker conducted a review of probation services in 2010 and identified a need to review and revise the Assistant Adult Probation Officer (AAPO) Program. This review will offer Probation a means to focus on overall improvements to its services. As the Department moves forward with the Probation review, it will address the utilization of the AAPO Program from a best practices approach."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to ensure compliance with its policies and procedures relating to the Assistant Adult Probation Officers Program.

Community Corrections
(2006 Annual Report, Part 2.11; Updates: 2009, Part 2.21; 2010, Part 2.26)

PART 2.28

DEPARTMENT OF JUSTICE

ADULT CUSTODY PROGRAM

**(2007 ANNUAL REPORT, PART 2.15;
UPDATES: 2009, PART 2.20; 2010, PART 2.25)**

Adult Custody Program
(2007 Annual Report, Part 2.15; Updates: 2009, Part 2.20; 2010, Part 2.25)

Introduction

Our 2007 Annual Report included a review of the Adult Custody Program at the Department of Justice (the Department). We conducted our review 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

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

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 19% 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 totaling $94,473 were not public1y tendered) and the *Financial Administration Act* (18 instances totaling $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.

Adult Custody Program
(2007 Annual Report, Part 2.15; Updates: 2009, Part 2.20; 2010, Part 2.25)

Our follow-up

In our 2010 Update Report we concluded that 11 of the original 21 recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the 11 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should develop operational plans relating to the provision of adult custody services.*

2. *The Department should develop the required contingency plans for all critical situations.*

3. *The Department should require that centres have an Emergency Planning Committee in place.*

4. *The Department should develop a procedures manual for RUS* [Resource Utilization System] *and distribute to all centres.*

5. *The Department should consider using the computer inventory system for recording and tracking stores supplies.*

6. *The Department should consider adapting or replacing the existing computer system for tracking movable capital assets.*

7. *The Department should develop a comprehensive preventative capital asset maintenance program and inspection schedule.*

8. *The Department should provide reports on capital asset maintenance costs or maintenance history.*

9. *The Department should conduct annual inventory counts and account for capital assets.*

10. *The Department should strengthen its IT and physical security controls over adult custody services' files.*

11. *The Department should comply with the* Adult Corrections Act *and the* Prisons Act.

Adult Custody Program
(2007 Annual Report, Part 2.15; Updates: 2009, Part 2.20; 2010, Part 2.25)

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2007 Annual Report, 5 of the original 21 recommendations had only been partially implemented.

To fully implement the recommendations, the Department will need to:

- develop operational plans relating to the provision of adult custody services; and
- develop a comprehensive preventative capital asset maintenance program and inspection schedule.

We agree with the Department's position that the recommendation numbers 1 and 7 have only been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department's position that the recommendation numbers 5, 6, and 9 have been partially implemented; however, we will not follow up on these recommendations again next year as the Department agrees with the recommendations and, based on actions taken to date by the Department, we are reasonably satisfied that the issues have been adequately addressed.

We agree with the Department's position that the recommendation numbers 2, 3, 4, 8, 10 and 11 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should develop operational plans relating to the provision of adult custody services.

Entity's response from previous report

In 2010, the Department informed us that:

The Department had drafted several long-term goals for Adult Custody that were related to the Decades of Darkness – Moving Towards the Light Report. These goals had been circulated to the Superintendent advising him to distribute them to his institutional heads. This in turn would drive the development of the operational plans and policies for the institutions.

Draft policies had been developed by the institutional heads. A new policy format was being implemented to facilitate revision and document control. The Superintendent was reviewing each policy in order to confirm feasibility with the first 6 policies that were expected to be uploaded to the employee intranet by April 1, 2010.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The Division's Operational Plan includes Long-Term Goals, Short-Term Objectives, and an evaluation of such objectives in the interest of determining their effectiveness. In 2010, the Division identified long-term goals which were reviewed in 2011 to ensure they are still valid. This year, the institutions are in the process of developing current objectives as well as performing an evaluation of the previous year's objectives as a part of completing full operational plans. This evaluation will help foster continual improvement in how well the Division meets its Goals and Objectives."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to develop operational plans relating to the provision of adult custody services.

Recommendation No. 2

The Department should develop the required contingency plans for all critical situations.

Entity's response from previous report

In 2010, the Department informed us that:

The institutional contingency plans that remained outstanding were for Her Majesty's Penitentiary, St. John's Lockup, and Corner Brook Lockup. The division would address this issue during the first annual contingency review meeting in March 2010. The Division would also use this meeting to re-launch the Emergency Planning committee that will oversee all future development and implementation of contingency plans. The contingency plans would be reviewed and submitted to the Superintendent and the Director semiannually.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"All institutional Contingency Plans have been completed with a copy of each forwarded to Headquarters. The Emergency Planning Committee overseeing the individual institutional Emergency Planning Committees has been formed and met on December 16, 2010. In addition, the Emergency Planning Committee has created and is launching a Business Continuity Plan which will aid in the continuance of essential services in the event of a disruption."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should require that centres have an Emergency Planning Committee in place.

Entity's response from previous report

In 2010, the Department informed us that:

Due to the creation of Emergency Planning Committees in Bishop Falls Correctional Centre, Labrador Correctional Centre, Newfoundland and Labrador Correctional Centre for Women and the West Coast Correctional Centre, there were contingency plans in place for critical situations. As previously stated, outstanding plans for Her Majesty's Penitentiary, St. John's Lockup, and Corner Brook Lockup were in the process of being developed. To ensure further development and creation of contingency plans, the Manager of Public Safety and Enforcement for the Department had been assigned the task of chairing the Provincial Emergency Planning Committee. Once the committee was fully functional, it would address any training requirements that arise as a result of contingency plan implementation.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The following institutions currently have Emergency Planning Committees:

Bishop's Falls Correctional Centre

- *Meeting on April 13, 2010*
- *Meeting on August 19, 2010*
- *Meeting on March 7, 2011*

Corner Brook Detention Centre

- *Meeting on April 06, 2011*

Her Majesty's Penitentiary

- *Meeting on December 16, 2010*

Labrador Correctional Centre

- *Meeting on February 8, 2011*

Newfoundland and Labrador Correctional Centre for Women

- *Meeting on March 7, 2011*

St. John's Lock-up

- *Combining with Her Majesty's Penitentiary' meetings*

West Coast Correctional Centre

- *Meeting November 20, 2010*
- *Meeting on February 15, 2011"*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Department should develop a procedures manual for RUS [Resource Utilization System] and distribute to all centres.

Entity's response from previous report

In 2010, the Department informed us that:

OCIO was spearheading the initiative to replace the Resource Utilization System (RUS) with a Government-wide Human Resource Management System (HRMS). Request For Proposal (RFP) responses were being evaluated by the Government Purchasing Agency (GPA) for this project. A timeline of 4 – 7 years would be needed to complete the project with certain features of the program becoming usable as they are completed. As an interim measure a summer student had been hired to develop a basis manual outlining how to use the system and steps to generate various types of reports.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A basic manual outlining how to use the Resource Utilization System (RUS) has been created and distributed to all centres using RUS:

- *Bishop's Falls Correctional Centre*
- *Comer Brook Detention Centre*
- *Her Majesty's Penitentiary / St. John's Lockup*
- *Labrador Correctional Centre*
- *Newfoundland and Labrador Correctional Centre for Women*
- *West Coast Correctional Centre"*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Department should consider using the computer inventory system for recording and tracking stores supplies.

Entity's response from previous report

In 2010, the Department informed us that:

The Department was in discussion with the Office of the Chief Information Officer to develop a system more appropriately designed to capture the required information. The Department acknowledged that the computer inventory system "Quartermaster" that was being used was still deficient for its needs.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The Department continues to work with the Office of the Chief Information Officer (OCIO) to advance this initiative while recognizing the many competing demands with respect to IT and IM needs."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year, as the Department agrees with the recommendation and, based on actions taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 6

The Department should consider adapting or replacing the existing computer system for tracking movable capital assets.

Entity's response from previous report

In 2010, the Department informed us that:

The issue of replacing the computer system for tracking moveable capital assets was discussed in the Planning Services and Delivery Committee Meeting in March 2010. The Finance Division of the Department would complete a departmental scan to determine what products other departments are using, and whether they would fit the Department's needs.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Currently there is not a system in place, the Finance Division of the Department of Justice has conducted a Departmental scan within the Newfoundland Government, but is still in the exploratory phase to determine if any products are suitable."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year, as the Department agrees with the recommendation and, based on actions taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 7

The Department should develop a comprehensive preventative capital asset maintenance program and inspection schedule.

Entity's response from previous report

In 2010, the Department informed us that:

The Adult Custody Division was unable to accomplish its goal of a comprehensive preventative capital asset maintenance program and inspection schedule. Although the Division was unable to establish this program in the fiscal year, through the 'Decades of Darkness - Moving Towards the Light ' funding it was able to make considerable improvements to its facilities. As all facilities are owned by Transportation and Works, the Department of Justice was looking to obtain their assistance with capital asset maintenance going forward.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Transportation and Works has implemented a capital asset management system, using ReCAPP software, on a province wide basis. This system identifies and prioritizes major maintenance work and projects for buildings under the responsibility of TW. Some of the benefits of ReCAPP, (as identified by the vendor) include:

- *Understanding the state of the physical assets including replacement costs, lifecycle analysis, and current and future funding needs;*

- *Understanding the implications of deferred capital as it relates to measured conditions and strategic goals;*

- *Approving and implementing capital planning activities based on set priorities in line with the strategic goals of the organization.*

TW also has a number of Service Contracts in place for building systems that include preventive maintenance activities.

TW is working on and seeking the acquisition of a new computerized preventive maintenance system for buildings to track and control daily operations and routine scheduled maintenance for its buildings. This is a substantial project. Some preliminary planning and program requirements are being developed this year by TW and approval will be requested in the 2012/13 budget process, in conjunction with the OCIO, for approval and implementation."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to develop a comprehensive preventative capital asset maintenance program and inspection schedule.

Recommendation No. 8

The Department should provide reports on capital asset maintenance costs or maintenance history.

Entity's response from previous report

In 2010, the Department informed us that:

The Department recognizes that the successful implementation of this recommendation goes hand-in-hand with the previous recommendation. In partnership with Transportation and Works, the Department had received the Building Historical Expenditure and Construction Projects by Building Reports. The Building Historical Expenditure Reports summarizes maintenance and operational expenditures for all adult facilities province wide. The Construction Projects by Building Report provides a breakdown of all maintenance and constructions projects for each of the same facilities

described above. Each institution also has a Corrections Fleet Manager who coordinates all vehicle maintenance through Transportation and Works. One area of improvement that had been identified was for the Division to request Transportation and Works to provide reports quarterly and forward them to Institutional Heads for review.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"As part of the completion of Semi-Annual Reports, the Division has requested the Building Historical Expenditure and Construction Projects by Building Reports from Transportation and Works in April 2010, and October 2010. Following the receipt of such reports, they are forwarded semi-annually to the individual Institutional Heads for their review, and comment."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should conduct annual inventory counts and account for capital assets.

Entity's response from previous report

In 2010, the Department informed us that:

The Department continued to work with OCIO with the intention of developing and implementing an inventory system to track and report on all assets at year end. The present computer inventory system was deficient and required significant upgrade. There were no resources in place at the time to complete this recommendation.

Entity's response to current request

In 2011, the Department informed us that the recommendation has been partially implemented.

Furthermore, it indicated that:

"The Department continues to work with the Office of the Chief Information Officer (OCIO) to advance this initiative while recognizing the many competing demands with respect to IT and IM needs. The Division will explore the option of hiring a work-term student for the summer semester to create and document a rudimentary system for tracking annual inventory counts and account for larger capital assets."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year, as the Department agrees with the recommendation and, based on actions taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 10

The Department should strengthen its IT and physical security controls over adult custody services' files.

Entity's response from previous report

In 2010, the Department informed us that:

In the interest of increasing the physical security of inmate files, all facilities across the island had been upgraded to lockable cabinets. In the past, the original security room at Her Majesty's Penitentiary also housed maintenance equipment items. A wall had been erected to separate the security space from the maintenance space with a locking door that is checked each night. The Division would create a checklist that would be filled out during the end of day rounds to ensure that these items are being secured. A complete camera monitoring system was being installed in order to increase building security. With respect to electronic security, OCIO was backing up all data saved on shared drives in facilities on and off the island. OCIO was also developing a system which would allow access to certain programs in the interest of business continuity and disaster recovery.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A closing checklist has been created and is currently being used at Her Majesty's Penitentiary Administration Building. This checklist will help to ensure that all physical security controls are secured at the end of the day. A business continuity plan has been completed which includes Emergency Preparedness Guidelines, All Hazards Continuity of Operations Plan Purpose, Assumptions, and Implementation Process, Guidance to deal with specific disruptions, Appendices providing direction and specific activities to be completed during the implementation process, Contingency Plans, Local protocols and procedures. This Plan will provide a framework for Business Continuity and Disaster Recovery."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 11

The Department should comply with the Adult Corrections Act *and the* Prisons Act.

Entity's response from previous report

In 2010, the Department informed us that:

The Superintendent continued to comply with the Prisons Act by submitting monthly reports to the Minister relating to each prisoner released during the preceding month. A working group had been established and jurisdictional scans were completed towards the introduction of new consolidated legislation to replace the Prisons Act and the Adult Corrections Act as per the 'Decades of Darkness - Moving Towards the Light' recommendation. During this process the working group would review all elements of the legislation to determine relevance to contemporary Corrections practices including for example, the requirement for an internal advisory committee. The new Correctional Services Act would provide the legal foundation for a more modern, progressive and humane corrections system.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Superintendent continues to comply with the Prison's Act by submitting monthly reports to the Minister relating to each prisoner released during the preceding month. The Department of Justice is pleased to advise that Bill 9, an Act Respecting Correctional Services, is currently before the House of Assembly and received the Third Reading on April 7, 2011. Upon proclamation, the new Act will remove the legislative requirement for a Ministerial Advisory Board and monthly reports on inmate releases. Given this new policy directions, the Department of Justice recommends closing this recommendation."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.29

DEPARTMENT OF JUSTICE

NEWFOUNDLAND AND LABRADOR HUMAN RIGHTS COMMISSION

(2008 ANNUAL REPORT, PART 2.13; UPDATES: 2010, PART 2.27)

Newfoundland and Labrador Human Rights Commission (2008 Annual Report, Part 2.13; Update: 2010, Part 2.27)

Introduction

Our 2008 Annual Report included a review of Newfoundland and Labrador Human Rights Commission (the Commission) at the Department of Justice. We conducted our review to determine whether human rights complaints were handled in a timely manner, appropriately investigated and resolved, and in full compliance with the *Human Rights Code*.

What we found

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

- The Commission did not maintain either a manual or electronic database to record the receipt and track the final disposition of each complaint. As a result, information on the status of complaints was not readily available. Furthermore, this situation likely contributed to statistical inaccuracies in the Commission's annual report to the House of Assembly for 2008.

- Outstanding complaints had been steadily increasing over the past three years.

- The Commission was not addressing complaints on a timely basis.

- Other than occasionally obtaining a statement from a witness, investigations at the respondents' premises were rarely done. Officials cited staff shortage, work load and funding issues as the reasons for not doing this. Investigations were, in the vast majority of cases, carried out through requests for information. It was acknowledged that visits to the respondents' premises would provide additional evidence and better information in order to make final complaint determinations.

- As a result of the Commission not gathering all relevant information during the intake, review and assessment of the complaints, in 2008 it undertook work on 5 complaints that were outside of its jurisdiction.

- There were issues with regards to the documentation of decisions of the Commission. None of the minutes of Commission meetings were signed by either the Chairperson or the Executive Director as Secretary of the Commission, making it difficult to verify the authenticity of the Commission's decisions and not all decisions of the Commission were recorded in the minutes.

- There could be a perceived conflict of interest when the Commission has to hear cases in which Government is named as a respondent given the current budget and reporting process. The Commission's budget was approved by the Department of Justice and, unlike the Canadian Human Rights Commission which reports directly to Parliament, the Commission had to provide its annual report to the Minister of Justice who was then responsible for tabling it in the House of Assembly.

- There were deficiencies in the Commission's activity plan and annual report for 2008. The activity plan had no goals, objectives, and measures for two of its four lines of business, and the annual report did not provide historical or targeted information necessary for the reader to assess the Commission's performance.

Our follow-up

In our 2010 Update Report we concluded that two of the original seven recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Commission requesting an update as to what progress had been made on the two recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Commission should improve its procedures for assessing complaints with a view to screening out those that have not established a 'prima facie case'.*

2. *The Commission should set goals, objectives and measures for all of its lines of business and provide historical information and target references in its annual report.*

Information we requested

The Commission was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Newfoundland and Labrador Human Rights Commission (2008 Annual Report, Part 2.13; Update: 2010, Part 2.27)

Overall conclusion

We agree with the Department's position that the recommendation numbers 1 and 2 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Commission should improve its procedures for assessing complaints with a view to screening out those that have not established a 'prima facie case'.

Entity's response from previous report

In 2010, the Commission informed us that section 20 of the *Human Rights Code* shows that there was no legal requirement for a complainant to establish a "prima facie" case before a complaint would be accepted by the Human Rights Commission for investigation.

The purpose of Section 20 was to establish a fairly low threshold for individuals to have their allegations of discrimination investigated by an independent, unbiased and neutral government agency. This issue would be addressed in the Policy and Procedure Manual.

Entity's response to current request

In 2011, the Commission informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"As discussed above, there is no legal requirement for a complainant to establish a "prima facie" case before a complaint can be accepted by the Human Rights Commission for investigation. However, the Commission carefully considered this recommendation within the parameters of the legislation and determined that it could be addressed in the Human Rights Commission's Policy and Procedure Manual by including a detailed procedure about the threshold test for the intake of complaints. Since that time, the* Human Rights Code *was repealed and replaced in its entirety by the* Human Rights Act, 2010. *However, the wording of this section remains the same as in the Code and is now dealt with pursuant to section 25 of the* Act. *Due to these legislative changes, the policy manual is currently under revision and in draft form. The Commission is working towards finalizing and publicly releasing the manual by fall 2011, which will include any possible revisions that address this recommendation."*

Newfoundland and Labrador Human Rights Commission (2008 Annual Report, Part 2.13; Update: 2010, Part 2.27)

Our conclusion

Follow-Up Not Required

We agree with the Commission's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Commission should set goals, objectives and measures for all of its lines of business and provide historical information and target references in its annual report.

Entity's response from previous report

In 2010, the Commission informed us that:

- its activity plans were not intended to describe everything it does but to focus on the key priorities;
- in its activity plan for 2008-09, it determined that dealing with the backlog of cases and developing a comprehensive public education program were key priorities. These two priority issues also contributed to the achievement of the Strategic Directions of the Department of Justice entitled, "Access to Justice" and "Public Trust and Confidence;" and
- TRIM became fully operational on 31 March 2009, and that it would take another year to establish a baseline of information. The information gathered in TRIM would identify current milestones for complaints and would inform future targets for milestones.

Entity's response to current request

In 2011, the Commission informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Commission will include historical information and target references in its 2010-11 Annual Report; which will be tabled by September 30, 2011."*

Our conclusion

Follow-Up Not Required

We agree with the Commission's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.30

DEPARTMENT OF MUNICIPAL AFFAIRS

FIRE COMMISSIONER'S OFFICE

(2004 ANNUAL REPORT, PART 2.35; UPDATES: 2006, PART 3.2.24; 2007, PART 3.2.24; 2009, PART 2.24; 2010, PART 2.30)

Fire Commissioner's Office
(2004 Annual Report, Part 2.35; Updates: 2006, Part 3.2.24; 2007, Part 3.2.24; 2009, Part 2.24; 2010, Part 2.30)

Introduction

Our 2004 Annual Report included a review of the Fire Commissioner's Office at the Department of Municipal Affairs. We conducted our 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.

In 2007 the Fire Commissioner's Office became part of the newly created Fire and Emergency Services - Newfoundland and Labrador (FES-NL).

What we found

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

- The Fire Commissioner's Office needed to do more in inspecting and evaluating the fire fighting capabilities of the 297 fire departments throughout the Province and in providing training to the approximately 6,100 fire-fighters; and
- The Office's database was not Y2K compliant and therefore, data and information could not be captured. As a result, no annual report had been prepared since 1999 and the Office did not have all of the information necessary to monitor fires in the Province including the assessment of the fire fighting capabilities of fire departments.

Our follow-up

In our 2010 Update Report we concluded that two of the original seven recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Office requesting an update as to what progress had been made on the two recommendations as of 31 March 2011. The recommendations are as follows:

1. *FES-NL should develop and implement a system for the tracking of fire reports to ensure that all reports are complete and received.*
2. *FES-NL should ensure that the Fire Commissioner's Office prepares and submits an annual report.*

Information we requested

The Office was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While FES-NL has made progress in addressing the recommendations from our 2004 Annual Report, two of the original seven recommendations have only been partially implemented.

We agree with FES-NL's position that the recommendation numbers 1 and 2 have been partially implemented; however, we will not follow-up on these recommendations again next year as FES-NL agrees with the recommendations, and based on action taken to date by the FES-NL, we are reasonably satisfied that the issues have been adequately addressed.

Recommendation No. 1

FES-NL 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

In 2010, FES-NL informed us that:

- The Fire Service Report Management System (FSRMS) was implemented on schedule in April 2009. Reporting forms had been designed and distributed and were in wide use by the municipal fire service.

- Proclamation of the new *Fire Protection Services Act* had been unavoidably delayed and as a result, mandatory reporting by fire departments was not in effect. FES-NL anticipated proclamation of the *Act* in the summer of 2010. Once the mandatory reporting requirements are in effect, FES-NL would incorporate annual fire loss reporting in its annual reports.

Entity's response to current request

In 2011, FES-NL informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The Fire Service Report Management System (FSRMS) has been operational since April 2009 and all new fire incident reports are being recorded as submitted. FES-NL has encountered additional unforeseen delays in the proclamation of the new* Fire Protection Services Act *and as a result, continues to operate in the absence of mandatory incident reporting. Outstanding issues in respect of the* Fire Protection Services Act *are near final resolution and it is now anticipated that the* Act *will be proclaimed in 2011, at which time mandatory incident reporting for fire departments will be in effect."*

Our conclusion

Follow-up Not Required

We agree with FES-NL's position that this recommendation has been partially implemented. However, we will not follow-up on this recommendation again next year as we are satisfied that the new reporting form and the Fire Service Report Management System meets the requirements of our recommendation.

Recommendation No. 2

FES-NL should ensure that the Fire Commissioner's Office prepares and submits an annual report.

Entity's response from previous report

In 2010, FES-NL informed us that FES-NL was a Category 2 government entity within the meaning of the *Transparency and Accountability Act* and was in compliance with reporting requirements as set out in this *Act*.

Entity's response to current request

In 2011, FES-NL informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"FES-NL is a category 2 government entity within the meaning of the Transparency Act and is in full compliance with reporting requirements set out therein.*

Pending proclamation of the new Fire Protection Services Act *in 2011, FES-NL will incorporate annual fire loss reporting in its annual reports."*

Our conclusion

Follow-up Not Required

We agree with FES-NL's position that this recommendation has been partially implemented. However, we will not follow-up on this recommendation again next year as FES-NL is preparing an annual report and will incorporate fire loss reporting in this report once the new legislation is proclaimed.

PART 2.31

DEPARTMENT OF MUNICIPAL AFFAIRS

EMPLOYMENT SUPPORT PROGRAMS

**(2007 ANNUAL REPORT, PART 2.16;
UPDATES: 2009, PART 2.23; 2010, PART 2.29)**

Employment Support Programs
(2007 Annual Report, Part 2.16; Updates: 2009, Part 2.23; 2010, Part 2.29)

Introduction

Our 2007 Annual Report included 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 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 Members of the House of Assembly (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 our 2010 Update Report we concluded that 1 of the original 14 recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

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.*

Employment Support Programs
(2007 Annual Report, Part 2.16; Updates: 2009, Part 2.23; 2010, Part 2.29)

Information we requested

The Department was asked to advise whether the recommendation has been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2007 Annual Report, one of the original 14 recommendations has not been implemented.

To fully implement the recommendation, the Department will need to develop an evidence-based allocation model for allocating funding under the CEP.

We agree with the Department's position that the recommendation has not been implemented; however, follow-up on this recommendation will be of no further benefit since the Department has not been able to identify an evidence-based allocation model for allocating funding under the CEP.

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

In 2010, the Department informed us that:

- a major problem in developing an evidence-based model is the fact that no statistical organization, provincially or federally, gathers data on the specific target group served by the Community Enhancement Employment Program; this difficulty was not foreseen in 2007 when the Department originally proposed the development of an evidence-based model; and

- the Department pilot tested the use of various proxy indicators for the target group; however, they have been unable to identify a combination of indicators that reliably differentiates between different geographic areas and that treats areas with similar employment circumstances reasonably equitably and they continue to explore this matter.

Entity's response to current request

In 2011, the Department informed us that the recommendation has not been implemented.

Furthermore, it indicated that *"the Department continues to explore options for a set of indicators that will provide a reliable basis for an evidence-based allocation model. If the Department identifies a reasonable set of indicators, it will forward an allocation model to Government for consideration."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has not been implemented; however, follow-up on this recommendation will be of no further benefit since the Department has not been able to identify an evidence-based allocation model for allocating funding under the CEP.

PART 2.32

DEPARTMENT OF MUNICIPAL AFFAIRS

CANADA-NEWFOUNDLAND AND LABRAODR GAS TAX FUND

(2009 ANNUAL REPORT, PART 2.12)

Canada-Newfoundland and Labrador Gas Tax Fund (2009 Annual Report, Part 2.12)

Introduction

Our 2009 Annual Report included a review of the Canada-Newfoundland and Labrador Gas Tax Fund at the Department of Municipal Affairs (the Department). We conducted our review to determine whether the Department:

- adequately and consistently evaluated the eligibility of project proposals under the program;
- made payments in accordance with requirements of the Agreement;
- had an adequate management information system in place to administer the program;
- monitored the effectiveness of the program; and
- ensured the program and related projects were administered in compliance with the Agreement on the Transfer of Federal Gas Tax Revenues and other authorities.

What we found

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

Late Signing of Agreement

Although funding was available from the Federal Government for the 2006 fiscal year, the Agreement between the Federal and Provincial Government was not finalized until August 2006 i.e. the 2007 fiscal year. Funding received for the 2007 fiscal year totalling $19.7 million included an amount of $9.75 million related to the 2006 fiscal year. As a result of not entering into the Agreement in the 2006 fiscal year, funding to the municipalities was delayed.

Non-compliance with the Agreement

Province

The Province was required to submit an audited Annual Expenditure Report (AER) to the Federal Government by 30 September for the most recent fiscal year. We found that, although the Province was required to have submitted 3 such AERs since the Agreement commenced (i.e. fiscal years 2007, 2008 and 2009), none were submitted by the required 30 September deadline. When AERs were not submitted by the required deadline, there might be delays in the receipt of funding from the Federal Government. For example, in 2009, the Province had to wait approximately 4 months (March 2009 versus November 2008) before it received $8.2 million.

Contrary to the Agreement, the Province advanced funds to certain municipalities in excess of the amount approved in the municipality's Capital Investment Plan (CIP). The audited financial statements relating to the Provincial AER indicated that, for fiscal year 2008, 16 municipalities received excess funds totalling $222,909 while for fiscal year 2009, 4 municipalities received excess funds totalling $11,596.

Contrary to the Agreement, the Province provided funding of approximately $1 million related to 6 waste management projects before the formal adoption of eligibility criteria by the Oversight Committee. Although the Provincial AER for the 2008 fiscal year outlined the $1 million in funding, the criteria were not approved until January 2009. Without appropriate assessment of projects relative to approved criteria, some projects approved for funding might not ultimately qualify. For example, one of projects included in the $1 million related to funding of $114,837 which was subsequently determined to not qualify for funding. In this case, the Province had to fund the project.

The Province provided $11.8 million in funds to the City of St. John's in March 2009 in excess of the allocation limit set by the Agreement for waste management initiatives and before the funds were received from the Federal Government. Pursuant to the Agreement, the City was not entitled to these funds until the next fiscal year. As a result, general funds of the Province were used to make the payment to the City. Without the funding from the Province, this would have resulted in a deficit in the Gas Tax Fund of approximately $9.4 million as at 31 March 2009.

Municipalities

Municipalities were required to submit an audited Annual Expenditure Report (AER) to the Province by 30 June for the most recent calendar year. The AER formed the basis of the Province's audited AER to the Federal Government which was required to be submitted by 30 September for the most recent fiscal year. We found 67 instances where the AER for 2008 (due 30 June 2009) from the municipalities were not submitted as required. The delay ranged up to 114 days past the 30 June deadline. Such delays could result in funds not being made available for municipalities and provided difficulty for the Province in the preparation of its AER for the Federal Government.

AERs were not always properly completed as required. Without a properly completed AER, the Province's policy was that monies would not be advanced to the municipalities. Common deficiencies in the AERs included such things as no audited report attached, not all required appendices included and funds not invested to earn interest as required. During our review of AERs submitted by the municipalities for 2008, we noted deficiencies such as:

- 44 instances where the Appendix A (Summary of Eligible Recipients Fund) was either not received or not certified by an official of the municipality;

- 14 instances where the Appendix B (Project Expenditure Report) was not submitted;

- 50 instances where the Appendix C (Progress of Commitments-ICSP, Communications, Public Sector Accounting Board [PSAB] standards) was not submitted;

- 2 instances where the auditor's report was not submitted with the AER; and

- 6 instances where funds received by the municipality had not been invested pending use on projects, as required.

To access funding from the Province under the program, the Province required municipalities to enter into Local Government Gas Tax Funding Agreements. The Local Agreement required a municipality to develop an Integrated Community Sustainability Plan (ICSP) by 31 March 2009. The ICSP outlined how the municipality would achieve the sustainability objectives it had for the environmental, cultural, social, and economic dimensions of its identity. However, the majority of municipalities had not developed the required ICSP by 31 March 2009. As a result, the Province extended the deadline for municipalities to submit their completed ICSPs to 31 March 2010 and put a process in place to address issues such as a lack of resources at municipalities.

Non-Compliance With Departmental Policy

Contrary to Departmental policy, we identified one municipality which received the first and second semi-annual installments when only the first installment was due. In this instance, the municipality received $136,012 in June 2009 which included both semi-annual allocations ($68,006 - first allocation due July 2009 and $68,006 - second allocation due February 2010). As a result, this municipality received preferential treatment and potentially saved costs that many municipalities have to incur related to interim financing.

Contrary to Departmental policy, we identified two municipalities which received payments prior to the Department receiving an AER. In one instance, a payment of $24,434 was made on 22 July 2009 while the AER was not received until 18 August 2009. In the other instance, a payment of $11,351 was made on 23 July 2009 while the AER was not received until 27 July 2009.

Committees

Federal-Provincial Oversight Committee

The Federal-Provincial Oversight Committee was not adequately monitoring the progress of the program under the Agreement. The Agreement provided that the Committee shall monitor overall strategic implementation, adjust/redirect allocations and approve funding for municipalities, and resolve any contentious issues. Since the Agreement was signed in August 2006, the Committee had only met twice: once in October 2007 and again in February 2008.

Departmental Gas Tax Committee

The Gas Tax Committee was established by the Department to monitor the progress of the program, provide advice and support to the Gas Tax Secretariat, and review and approve all Capital Investment Plans for projects. The Committee did not always complete minutes to document decisions of meetings. Furthermore, minutes that were available were not signed and Records of Decisions required by the Committee's terms of reference were not prepared or signed. Minutes of the Gas Tax Committee and the Records of Decisions serve to document key decisions of the Committee.

Lack of a Comprehensive Information System

There was no central database in place to facilitate the operation of the program. Such a database could include information on receipt and evaluation of applications, decisions made, payment information, and related monitoring and reporting.

The Department was using a variety of spreadsheets and other electronic files which are stored on a number of network drives. Department officials indicated that the spreadsheets were time consuming to maintain and were shared jointly on the Department's network with no controls to prevent risks of unauthorized changes. As a result of not having an integrated information system, there was duplication of effort in populating the spreadsheets with the same information.

Our follow-up

In March 2011, we contacted the Department requesting an update as to what progress had been made on the 19 recommendations made in our 2009 Annual Report as of 31 March 2011. The recommendations are as follows:

1. *The Department should work with municipalities to ensure that they are able to utilize their funding allocations on a timely basis. Alternately, there are provisions in the Agreement for the reallocation of funding where this is not possible.*

2. *The Department should ensure funding is only advanced for projects which fall within acceptable criteria under the Agreement.*

3. *The Department should consider use of budgetary controls available within Government's Oracle Financial Management System which could be used to prevent the payment of amounts to municipalities in excess of approved capital investment plans.*

4. *The Department should review the process used to report funds spent on eligible projects.*

5. *The Department should work with municipalities to reduce instances of non-compliance with the Agreement.*

6. *Payments to municipalities under the Agreement should be made in compliance with Departmental policy and the Agreement.*

7. *The Department should implement a comprehensive information management system for the Gas Tax Fund.*

8. *The Department should review access rights in order to protect the various worksheets currently in use.*

9. *The Department should ensure that Minutes of the Gas Tax Committee and the Records of Decision are maintained on a timely basis, readily accessible and formally approved.*

10. *The Department should comply with reporting deadlines as outlined in the Agreement.*

11. *The Department should ensure that records of the Gas Tax Fund are ready for audit.*

12. *The Department should work with the municipalities to ensure that Municipal Annual Expenditure Reports are received in compliance with the Local Government Agreements.*

13. *The Department should ensure that deficiencies identified during the review of Municipal Annual Expenditure Reports are followed-up on a timely basis.*

14. *The Department should encourage increased activity of the Oversight Committee.*

15. *The Department should review the requirement of a separate bank account with officials of the Federal Government.*

16. *The Department should perform a review of future agreements to ensure their terms are in compliance with Provincial legislation and authorities prior to signing.*

17. *The Department should ensure steps are taken so it is not in default of the Agreement.*

18. *The Department should ensure that municipalities are supported and on track to meet their deadlines under the Agreement.*

19. *The Department should continue to monitor municipal compliance with PSAB and assist those municipalities having difficulties, where appropriate.*

Canada-Newfoundland and Labrador Gas Tax Fund (2009 Annual Report, Part 2.12)

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2009 Annual Report, six of the original nineteen recommendations had only been partially implemented and one of the nineteen had not been implemented.

To fully implement the recommendations, the Department will need to:

- determine whether the remaining Town will access its gas tax allocation. If not, it should be brought forward to the Oversight Committee for reallocation;
- implement its planned use of Oracle budgetary controls for municipal allocation grant payments;
- complete its plans to include all waste management projects in the Oracle encumbrance process;
- implement the planned Oracle project management/project costing system for the Program;
- comply with its reporting deadlines as outlined in the Agreement; and
- meet its 30 September deadline for the Annual Expenditure Report and uphold all of the terms and conditions of the Gas Tax Agreement.

We agree with the Department's position that recommendation numbers 1, 3, 4, 7, 10 and 17 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department's position that recommendation number 16 has not been implemented; however, as it relates to future agreements and the Department has indicated that it will follow the recommendation in the future, further follow-up on this recommendation is not required.

We agree with the Department's position that the recommendation numbers 2, 5, 6, 8, 9, 11, 12, 13, 14, 15, 18 and 19 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should work with municipalities to ensure that they are able to utilize their funding allocations on a timely basis. Alternately, there are provisions in the Agreement for the reallocation of funding where this is not possible.

Entity's response from previous report

In 2009, the Department informed us that:

- It continued to work with municipalities to ensure they were able to utilize their funding on a timely basis through continued support, advice, training and monitoring; and
- It continued to work with those municipalities that had not yet utilized their funds and would bring forward a recommendation for re-allocation to the Oversight Committee, if required.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"All municipalities and Inuit Community Governments, except one, have accessed their gas tax allocations. The Department visited this town and is continuing to work with this municipality by providing advice, support, training and monitoring to ensure they can use their allocations. If the Town decides to not avail of their gas tax, the Department will bring forward a recommendation for re-allocation to the Oversight Committee."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to determine whether the remaining Town will access its gas tax allocation. If not, it should be brought forward to the Oversight Committee for reallocation.

Recommendation No. 2

The Department should ensure funding is only advanced for projects which fall within acceptable criteria under the Agreement.

Entity's response from previous report

In 2009, the Department informed us that:

- with respect to the Auditor General's comments regarding the expenditure of funds for waste management projects ahead of the formal adoption of eligibility criteria, funding was necessary for early planning needs and was within the scope of the Waste Management Strategy, which formed the basis for the waste management allocation in the Agreement; and

- Current and future expenditures would be made in accordance with the approved criteria, with amendments drafted and approved as necessary.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"All waste management expenditures have been in accordance with the criteria approved in January 2009 and/or subsequent amendments."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should consider use of budgetary controls available within Government's Oracle Financial Management System which could be used to prevent the payment of amounts to municipalities in excess of approved capital investment plans.

Entity's response from previous report

In 2009, the Department informed us that it would investigate the use of budgetary controls within Government's Oracle Financial Management System to prevent payments from exceeding approved capital investment plans.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Each municipal allocation payment is checked against the approved Capital Investment Plan amount prior to releasing the payment requisition. The Department is working with the OCIO on developing a new Oracle Projects system for the Program which would include budgetary controls through purchase orders." In the interim, Purchase Orders will be set up for all municipal allocation grant payments in 2011-2012.*

Our conclusion

Follow-Up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to implement its planned use of Oracle budgetary controls for municipal allocation grant payments.

Recommendation No. 4

The Department should review the process used to report funds spent on eligible projects.

Entity's response from previous report

In 2009, the Department informed us that it had implemented an enhanced process to ensure that total payments did not exceed the total approved projects in the Capital Investment plan. This requirement would be included in the system for the Gas Tax program.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"In 2009, the Department began to use the Oracle Financial Management System to encumber annual project spending associated with its Municipal Infrastructure Programs to track project approvals and to prevent payments from exceeding approved project and program funding. Beginning in 2011/12, all waste management projects will be included in this process. In addition, the department in conjunction with the Office of the Chief Information Officer (OCIO), is in the process of developing a project management/project costing system to assist the department in the management of its infrastructure programs. The new system is anticipated to be completed in the last quarter of 2011/12."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete its plans to include all waste management projects in the Oracle encumbrance process and its new project management/project costing system.

Recommendation No. 5

The Department should work with municipalities to reduce instances of non-compliance with the Agreement.

Entity's response from previous report

In 2009, the Department informed us that:

- Compliance with the Local Government Agreement was a municipal responsibility. The Department was obligated to withhold gas tax funds when non-compliance was detected; and

- It would support and continue to work with municipalities to ensure compliance with all terms and conditions of the Local Government Gas Tax Funding Agreement including that Annual Expenditure Reports were properly completed and submitted by the prescribed deadlines.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department will continue to work with towns by providing advice, support, training, monitoring and site visits. Gas tax funds are held where non-compliance is found."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

Payments to municipalities under the Agreement should be made in compliance with Departmental policy and the Agreement.

Entity's response from previous report

In 2009, the Department informed us that:

- The Department was diligent on ensuring compliance with all areas of the Agreement and would continue to monitor and review processes to ensure compliance with the terms and conditions of the Gas Tax Agreement;

- The implementation plan for the Waste Management Strategy recognized that the cash flow requirements for this provincial initiative exceeded annual revenue available through the first 4-6 years of the Gas Tax Program. Recognizing that the Gas Tax program had been announced by the Federal Government as a permanent and continuing funding program, the Government of Newfoundland and Labrador had given approval to advance funds from future Gas Tax revenue in order to accelerate waste management funding in the early years.

- Payments to the City of St. John's for the redevelopment of the Robin Hood Bay Regional Waste Management Facilities were therefore supplemented by provincial funds approved in Budget 2008-09 to advance the implementation of the Waste Management Strategy. While the scope of this audit was limited to the Gas Tax program and federal revenue received therein, the broader context of the Provincial budget appropriations should be considered when evaluating Gas Tax spending for Waste Management Strategy implementation. Within that broader context, payments made to the City of St. John's were not in excess of appropriations in Budget 2008-09.

- The Department was reviewing reporting for waste management expenditures in the AER to better reflect provincial funds that are advanced against future revenues.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"For municipal allocations, this recommendation is fully implemented. The Department continuously monitors the activity of all municipalities/Inuit Community Governments to ensure compliance with the Gas Tax Agreement.*

For waste management allocations, this recommendation is fully implemented. While the Province has advanced funds from future Gas Tax revenue under the Agreement, following consultation with the Federal Government, it was agreed that these expenditures would be reported in the year in which the revenue is received from the Federal Government."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

The Department should implement a comprehensive information management system for the Gas Tax Fund.

Entity's response from previous report

In 2009, the Department informed us that it would continue to develop a system to address the information and reporting needs of the Gas Tax program.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The Department is working with the OCIO on developing a new Oracle Projects system for the Program. This system is being developed with implementation expected in the 2011/12 fiscal year."*

Our conclusion

Follow-Up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to implement the planned Oracle Projects system for the Program.

Recommendation No. 8

The Department should review access rights in order to protect the various worksheets currently in use.

Entity's response from previous report

In 2009, the Department informed us that it would implement the appropriate access rights to the current spreadsheets.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department has restricted the access to its shared Divisional spreadsheets by password protecting the file. The Department will be transitioning to a new Oracle Projects system this year."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should ensure that Minutes of the Gas Tax Committee and the Records of Decision are maintained on a timely basis, readily accessible and formally approved.

Entity's response from previous report

In 2009, the Department informed us that:

- The Gas Tax Committee was established in 2009 to oversee and coordinate Gas Tax activities; and
- The Committee had acted on the Auditor General's recommendations regarding the Minutes and Records of Decision of the Committee.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Gas Tax Committee keeps minutes of its meetings which are approved and signed. The Record of Decision form is no longer used, and the details of the decision are incorporated into the minutes."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 10

The Department should comply with reporting deadlines as outlined in the Agreement.

Entity's response from previous report

In 2009, the Department informed us that:

- It endeavored to comply with the September 30 deadline for the Annual Expenditure Report and the deadline for the development of an Outcomes Report; and

- The preparation of the Annual Expenditure Report was contingent upon receipt of all applicable information from municipalities. Due to delays in receiving information, the preparation of the Annual Expenditure Report had been delayed.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*In 2010, the Department and the Local Governments entered into an amending agreement. The date for the Local Government Audited Annual Expenditure reports was changed from June 30 to March 31, starting in 2011. This should allow the Department to submit its annual expenditure report to the Federal Government by September 30. This change should also allow the Department to meet its June 30 deadline for draft financial statements.*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to comply with its reporting deadlines as outlined in the Agreement.

Recommendation No. 11

The Department should ensure that records of the Gas Tax Fund are ready for audit.

Entity's response from previous report

In 2009, the Department informed us that it would ensure its records were ready for audit in a timely manner.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department has changed the municipal annual expenditure report deadline from June 30 to March 31 which should allow the Department additional time to have its records ready for audit."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 12

The Department should work with the municipalities to ensure that Municipal Annual Expenditure Reports are received in compliance with the Local Government Agreements.

Entity's response from previous report

In 2009, the Department informed us that it continued to support, train and work with municipalities to ensure compliance with all terms and conditions of the Local Government Gas Tax Funding Agreement, including ensuring that Annual Expenditure Reports were properly completed and submitted by the prescribed deadlines.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department is continuing to work with municipalities by providing advice, support, training and monitoring to ensure they submit their annual expenditure reports on time. The submission of this report is the responsibility of the municipality; however, the Department continues to provide the supports identified to assist them."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 13

The Department should ensure that deficiencies identified during the review of Municipal Annual Expenditure Reports are followed-up on a timely basis.

Entity's response from previous report

In 2009, the Department informed us that it continued to support, train and work with municipalities to ensure compliance with all terms and conditions of the Local Government Gas Tax Funding Agreement, including ensuring that Annual Expenditure Reports were properly completed and submitted by the prescribed deadlines.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that "*The Department follows up with municipalities on deficiencies found in their annual expenditure reports as soon as possible.*"

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 14

The Department should encourage increased activity of the Oversight Committee.

Entity's response from previous report

In 2009, the Department informed us that:

- At the next Oversight Committee meeting scheduled in February 2010, the Department and the Federal Government would establish a timeline for future meetings; and
- In the day-to-day operation of the program, Department and Federal officials were in frequent contact.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Oversight Committee met in February 2010 and agreed to meet at least twice a year. These meetings can be in person, by conference call or electronically via email. The Oversight Committee has had four electronic communications/approvals this year in accordance with its Terms of Reference."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 15

The Department should review the requirement of a separate bank account with officials of the Federal Government.

Entity's response from previous report

In 2009, the Department informed us that it would confirm its use of a separate account with the Federal Government.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department has clarified the use of a separate account with the Oversight Committee."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 16

The Department should perform a review of future agreements to ensure their terms are in compliance with Provincial legislation and authorities prior to signing.

Entity's response from previous report

In 2009, the Department informed us that it would confirm its use of a separate account with the Federal Government.

Entity's response to current request

In 2011, the Department informed us that the recommendation had not been implemented.

Furthermore, it indicated that *"The Department will perform a review of future agreements to ensure their terms are in compliance with Provincial legislation and authorities prior to signing."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has not been implemented; however, as it relates to future agreements and the Department has indicated that it will follow the recommendation in the future, further follow-up on this recommendation is not required.

Recommendation No. 17

The Department should ensure steps are taken so it is not in default of the Agreement.

Entity's response from previous report

In 2009, the Department informed us that it would endeavor to comply with the September 30 deadline for the Annual Expenditure Report and uphold all of the terms and conditions of the Gas Tax Agreement.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The date for the Local Government Audited Annual Expenditure reports was changed from June 30 to March 31, starting in 2011. This should allow the Department to better meet its annual reporting requirements."*

Our conclusion

Follow-Up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to meet its 30 September deadline for the Annual Expenditure Report and uphold all of the terms and conditions of the Gas Tax Agreement.

Recommendation No. 18

The Department should ensure that municipalities are supported and on track to meet their deadlines under the Agreement.

Entity's response from previous report

In 2009, the Department informed us that:

- It had resource people dedicated to supporting municipalities meet their commitment and deadlines in the Agreement. This support included developing manuals, conducting formal training, providing advice to municipalities, and conducting one-on-one visits with municipalities; and
- It was monitoring the progress and the ability of the municipalities to meet all prescribed deadlines.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department continues to provide manuals, advice, and visits to municipalities to support them in the creation of their ICSPs."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 19

The Department should continue to monitor municipal compliance with PSAB and assist those municipalities having difficulties, where appropriate.

Entity's response from previous report

In 2009, the Department informed us that:

- It had resource people dedicated to supporting municipalities meet their commitment and deadlines in the Agreement. This support included developing manuals, conducting formal training, providing advice to municipalities, and conducting one-on-one visits with municipalities; and
- It was monitoring the progress and the ability of the municipalities to meet all prescribed deadlines.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Department continues to provide manuals, templates and training materials on its web site for municipalities. The Department also has a toll free number and an e-mail address for municipalities to get support to become PSAB compliant."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Canada-Newfoundland and Labrador Gas Tax Fund
(2009 Annual Report, Part 2.12)

PART 2.33

DEPARTMENT OF MUNICIPAL AFFAIRS

DISASTER FINANCIAL ASSISTANCE ARRANGEMENTS

(2009 ANNUAL REPORT, PART 2.13)

Disaster Financial Assistance Arrangements
(2009 Annual Report, Part 2.13)

Introduction

Our 2009 Annual Report included a review of Disaster Financial Assistance Arrangements program administered by Fire and Emergency Services - Newfoundland and Labrador (FES-NL) under the Department of Municipal Affairs (the Department). We conducted our review to determine whether:

- expenditures under the Disaster Financial Assistance Arrangements (DFAA) program were made in accordance with established guidelines and policies and procedures;
- expenditures under the DFAA program were adequately reported and monitored; and
- claims to the Federal Government were submitted as required.

What we found

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

Our review identified a number of issues with how FES-NL is administering the DFAA program. These issues included such things as: database not being adequate for monitoring and reporting; policies and procedures which were incomplete and out of date; payments for ineligible costs; lack of documentation to support amounts claimed and paid; delays resulting in additional costs; errors in amounts paid to claimants; and lack of a formal appeal process. In particular:

Provincial Claims Process

- Information regarding expenditures or statistics on each disaster was not readily available. There was no single Provincial database that captured the expenditures incurred for each disaster. Furthermore, the Province's Financial Management System does not track expenditures related to each disaster in one account.
- Although FES-NL has a number of guidelines and documents to assist staff and claimants with the DFAA claims process, FES-NL did not have these guidelines and documents consolidated in an approved policy and procedures manual. Furthermore, the guidelines and documents that were in place were out-of-date in relation to allowances affected by the cost of living and minimum wages.
- FES-NL approved claims and made payments for ineligible costs. Eligible costs relate to essential items that were actually damaged during the disaster.

- Disaster assistance claimant files did not always include all of the required documentation. As a result, Provincial payments were made without adequate documentation to support eligibility and the amount to be reimbursed.

- Our review identified 1 instance where delays resulted in a damage estimate increasing by $101,070 or 319% of the original damage estimate.

- Our review identified 4 instances, related to insurance deductibles, where errors were made in the amounts paid to claimants.

- There was no formal process in place for applicants to appeal decisions relating to whether their application was approved or denied, and the decisions relating to the amounts paid for approved assistance.

Federal Claim Process

- A significant amount of time passed between the date some disasters occurred and the date the final Federal claim was paid. The time between the disaster and the final Federal claim increases the probability that documentation, not obtained at the time the assistance is provided, will no longer be readily available. This means that assistance, normally recoverable from the Federal Government, may no longer qualify.

Additional Provincial Disaster Relief Coverage

- The Province also provided additional disaster relief coverage for the Stephenville flood in 2005 and the Daniel's Harbour landslide in 2007. Documentation required to support the eligible costs under the DFAA portion was not always on file. As a result, the portion of assistance that would normally be recovered under the DFAA program was not identified and recovered due to inadequate documentation.

Disaster Financial Assistance Arrangements
(2009 Annual Report, Part 2.13)

Our follow-up

In March 2011, we contacted the Department requesting an update as to what progress had been made on the six recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should improve the timeliness for claims to the Federal Government.*

2. *The Department should ensure all financial and claims information is captured and monitored through its database.*

3. *The Department should consolidate its current procedures and guidelines in a policies and procedures manual that encompasses all disaster relief program activities administered by FES-NL.*

4. *The Department should maintain adequate documentation in claim files to support claimed items and decisions made.*

5. *The Department should process claims in accordance with DFAA guidelines and FES-NL policies and procedures.*

6. *The Department should ensure all claims for assistance are properly reviewed, assessed, and supported by required documentation.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2009 Annual Report, two of the original six recommendations had only been partially implemented.

We agree with the Department's position that the recommendation number 3 has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to consolidate its procedures and guidelines in a policies and procedures manual.

We agree with the Department's position that the recommendation number 5 has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with this recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the Department's position that the recommendation numbers 1, 2, 4, and 6 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should improve the timeliness for claims to the Federal Government.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that:

- FES-NL had been aggressively pursuing resolution of outstanding federal claims under the DFAA. Significant progress had been achieved.

- FES-NL achieved final resolution on the Storm Surge 2000 and the Tropical Storm Gabrielle 2001 claims. Final audits by Audit Services Canada had been completed on the Burin Flood 2005 and the Northeast Coast Flood claims, with the Province awaiting final payments. Internal work had been completed on the 2003 Badger Flood claim and a final audit request had been filed with Audit Services Canada. In addition, FES-NL had filed and received an $8.0 million interim payment associated with costs arising from Tropical Storm Chantal in 2007. FES-NL anticipated that a final settlement on this claim would be achieved within 36 months of the occurrence of the event.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"FES-NL continues to aggressively pursue settlement of outstanding federal claims under the DFAA. Since the time of the last report, final payments have been received on claims associated with the Burin Flood 2005 and Northeast Coast Flood 2006. Final audits have been completed on claims related to both the Badger Flood 2003 and Tropical Storm Chantal 2007. Both the claims are currently at concurrence stage with Public Safety Canada and final payments are anticipated by the second quarter of 2011. FES-NL has also successfully completed an interim audit of expenditures to date on Hurricane Igor (September 2010) and has received an interim payment of $16.0 million related to that event."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department should ensure all financial and claims information is captured and monitored through its database.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that:

- FES-NL was working with the Office of the Chief Information Officer, the Office of the Comptroller General and an outside management/IT consultant to develop and implement an appropriate solution.

- FES-NL anticipated that an Oracle-based system, linked to the Government's financial management system, would be in place by March 31, 2010. This system was being designed to ensure that the documentation requirements of both the DFAA and Government's internal processes would be respected.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"FES-NL and OCIO have completed development of a new DFAA claims management database system. All financial and claims information related to the Hurricane Igor disaster assistance program is being managed in the new system."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should consolidate its current procedures and guidelines in a policies and procedures manual that encompasses all disaster relief program activities administered by FES-NL.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that FES-NL had been directed by Government to undertake development of a Provincial disaster financial assistance policy framework and to develop and implement an associated suite of appropriate policies and procedures. FES-NL's Business Plan 2008-11 committed it to the achievement of this objective by 2011.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"FES-NL remains committed to development of a provincial disaster financial assistance policy framework and associated suite of policies and procedures. A full business processes analysis has been completed and a new claims management information system implemented."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to consolidate its procedures and guidelines in a policies and procedures manual.

Recommendation No. 4

The Department should maintain adequate documentation in claim files to support claimed items and decisions made.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that:

- FES-NL strived to ensure that all required documentation was in place prior to issuance of payments to claimants under the DFAA resulting in attaining recovery of 98.76% of eligible expenditures from the Federal Government in the case of Tropical Storm Gabrielle 2001; and

- FES-NL was working with the Office of the Chief Information Officer, the Office of the Comptroller General and an outside management/IT consultant to develop and implement a claims management system designed to ensure that the documentation requirements of both the DFAA and government's internal processes would be respected.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"FES-NL has implemented a new claims management information system and associated internal review processes to insure required documentation is in place prior to issuance of payments to claimants under the DFAA."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Department should process claims in accordance with DFAA guidelines and FES-NL policies and procedures.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that:

- FES-NL process claims in accordance with DFAA guidelines and established policies and procedures. These policies and procedures were formed by the Federal guidelines and developed by FES-NL with a view to achieving an optimal balance between the demand to ensure timely recovery of maximum revenues from the Federal Government while addressing the needs of citizens, businesses, organizations and municipalities to be dealt with in a fair and expeditious manner.

- The DFAA guidelines provided by the Federal Government were structured to provide broad parameters within which provincial delivery agencies must function. These guidelines were not exhaustive in their content and applying these at the level of the individual claim required interpretation and the exercise of judgment by staff and management within FES-NL.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"FES-NL continues to make best efforts to ensure claims are processed in accordance with DFAA guidelines and established policies and procedures. FES-NL seeks to achieve an optimal balance between the need to recover maximum revenues from the federal government and ensuring the needs of citizens, businesses, organizations and municipalities impacted by disasters are dealt with in a fair and expeditious manner. Implementation of the new claims management information system and strengthened internal review procedures are assisting but it is noted that the application of guidelines for settlement of individual claims will always continue to require interpretation and exercise of judgment by staff and management within FES-NL."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with our recommendation and we are satisfied that with the new claims management system and strengthened internal review processes only isolated incidents of non-compliance will go undetected.

Recommendation No. 6

The Department should ensure all claims for assistance are properly reviewed, assessed and supported by required documentation.

Entity's response from previous report

The Department indicated in its response to our 2009 Report that:

- FES-NL was committed to ensuring that all claims for assistance were properly reviewed, assessed and supported by required documentation.
- FES-NL was engaged in a series of initiatives focused on improving identified deficiencies in the delivery and monitoring of the DFAA claims process.
- FES-NL had established a team dedicated to administration of the DFAA program and associated claims.
- A claims management system was under development and would be operational in the 2010-11 fiscal year. This system would provide the capacity to manage program and individual claim data more effectively and assist in efforts to ensure that appropriately rigorous internal control processes do not adversely affect the quality or timeliness of delivery of disaster recovery assistance to claimants.
- FES-NL was committed to the establishment of a modern policy and program framework, and to consolidating its associated policies and procedures to ensure ongoing effective administration of the DFAA program and associated processes.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"FES-NL continues to be committed to ensuring that all claims for disaster financial assistance are properly reviewed, assessed and supported by required documentation. Implementation of the new claims information management system has increased FES-NL's capacity to manage claim data more effectively and supports the application of appropriately rigorous internal control systems. The Agency has completed a full review of its claims associated business processes and implemented such changes and improvements as were deemed necessary to ensure ongoing effective administration of the DFAA program."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.34

DEPARTMENT OF NATURAL RESOURCES

OIL ROYALTIES

**(2008 ANNUAL REPORT, PART 2.15;
UPDATE: 2010, PART 2.31)**

Oil Royalties
(2008 Annual Report, Part 2.15; Update: 2010, Part 2.31)

Introduction

Our 2008 Annual Report included a review of Oil Royalties at the Department of Natural Resources (the Department). We conducted our review to determine whether the Department had systems and practices for monitoring the completeness and accuracy of oil royalties received from project owners.

What we found

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

- Contrary to section 26.6 of the Hibernia Agreement, the Hibernia project operator had refused to provide the Department's audit team with access to any Internal Audit Reports and Plans, and the minutes of Hibernia Executive Committee meetings as requested.

  We were further informed that access to these documents was no longer requested because the Department concluded the limitation did not preclude the Department from providing sufficient audit assurance that the project owners were complying with the agreement.

- The Department concluded that transportation costs reported by the Hibernia project owners for 1997 to 2000 were not in accordance with the Hibernia Agreement and requested the project owners to re-file their royalty calculations. Although the issue was first raised in December 2004 and the project owners objected to the Department's position, the matter remained unsolved.

- Contrary to the requirements of the *Royalty Regulations, 2003*: the transportation cost estimates for the Terra Nova Project and White Rose Project were not approved by the Minister; and the Department had not, in consultation with the project owners, developed any eligibility rules that would provide criteria to be used in determining what constituted an eligible transportation cost.

- Contrary to the requirements of the *Royalty Regulations, 2003*, the Minister did not assess the annual reconciliations within the required 60 days of receiving the annual reconciliation (i.e. 30 June).

- Contrary to the direction of Cabinet, the Department, commencing in October 2007, paid hourly rates in excess of the hourly rates stipulated in a consultant contract.

- At October 2008, there were 87 annual royalty and eligible project cost submissions made by project owners for which the Department had not started any audit work, 19 for which audit work was in progress and 28 for which the audit was completed. No royalty or eligible project cost audits had been conducted on the Terra Nova or White Rose projects since production started in 2002 and 2005 respectively.

- The magnitude of the oil royalties and adjustments that have occurred as a result of the audit process highlights the importance of completing audits on a timely basis. Although audits were completed within the audit period established in the Hibernia Agreement and the *Royalty Regulations, 2003*, we did have some concerns with the amount of time elapsed before audit work was performed.

- In an attempt to ensure that all audits would be completed when required, and to reduce the audit period on a go-forward basis, the Department in 2007 established a 3-year audit work plan for 2008 to 2010. The Department recognized that more timely audits would provide more useful information and allow the Department to better manage any identified issues relating to oil royalties. The Department's goal was to have years up to 2007 audited by 2010; however, the plan was off schedule in relation to what was planned for 2008 and, as a result, the Department would have to take measures to ensure that its plan would be met.

- The Department's Audit Manual relating to the auditing of oil royalties had not been updated since 2000 and required updating. In addition, the Department's procedures for completing desk reviews of monthly and annual reports were not documented.

Our follow-up

In our 2010 Update Report we concluded that four of the original eight recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the four recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should ensure audits are conducted within a relevant time period.*

2. *The Department should ensure estimated, eligible and actual transportation costs for Terra Nova and White Rose are determined and reported in accordance with the* Royalty Regulations, 2003.

3. *The Department should update its audit manual.*

4. *The Department should document its procedures for conducting desk reviews.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2008 Annual Report, three of the original eight recommendations had only been partially implemented.

We agree with the Department's position that the recommendation numbers 1 and 2 have been partially implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, the Department will need to:

- reduce the number of audits not started and not completed, and reduce the time between the year being audited and the year the audit report is issued; and

- finalize the amendments to the *Royalty Regulations, 2003* to implement cost eligibility criteria for the Terra Nova project and address issues related to the White Rose project.

We agree with the Department's position that the recommendation number 4 has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the Department's position that the recommendation number 3 has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should ensure audits are conducted within a relevant time period.

Entity's response from previous report

In 2010, the Department informed us that:

- it had developed a 3-year audit plan in 2007 for the years 2008, 2009, and 2010 with the goal to have years up to 2007 audited by 2010. Since 2008, there had been additional turnover, assignment of resources to negotiations and dispute resolution which had affected audit progress; however, all approved positions related to audit were staffed and had been since July 2009;

- although the professional services budget was increased in 2008-09 by $500,000 for the years ending 2009, 2010, and 2011, the 2009 funds were not fully expended on audit work due to staff vacancies and senior resources being deployed to Hebron. The Department anticipated that the full amount allocated to audit for the 2009-10 fiscal year would be disbursed; and

- it had also commenced a re-assessment of the approved organizational structure based on recent experiences, accounting for the additional project requirements and dispute support.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*The Department continues to work the inventory of audits relative to the offshore royalty revenues.*

2003 All audits have been issued.
2004 Hibernia and Terra Nova audits ready to be issued pending final resolution of outstanding queries.
2005 All are in progress.

The re-assessment of the existing organization structure noted in the Department's previous update resulted in the addition of two (2) new Senior Petroleum Auditor positions to its permanent staff complement in the 2010/2011 fiscal year. The positions were filled in October and December 2010. The Department also continued to supplement its internal audit resources through its professional services budget and contracting of certain audit functions.

Further, audit staff are involved with work in addition to cost and royalty audits which is important to the integrity of royalty administration. For example, during the 2010-11 year, significant resources expended to complete insurance certification. Insurance has been reviewed and certified to the end of 2008 for the Terra Nova Project. This is also audit work that is integral to the royalty audits for the relevant periods but which is not directly reflected in the schedule of royalty and cost audits. During 2010-11, audit resources also provided support to analysis and consultations related to Terra Nova transportation implementation which is ongoing.

Historical recruitment and retention of audit staff, managing competing priorities and resources, and addressing the complex issues arising during the audits require a prudent approach to audit progress. The growth of producing projects in our offshore resulted in significant growth in the audit inventory over a short time period. These are complex audits with potentially significant financial impacts. In reducing this inventory, the Department must strike a balance to ensure that the quality and scope of the audits is not impacted by focusing solely on reduction of audit numbers.

Reducing the inventory of audits and decreasing the audit turnaround period continues to be a priority for the Department. Audit turnaround is monitored closely to ensure that no audit deadlines are missed as the Department works to continuously improve the turnaround period."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to reduce the number of audits not started and not completed, and reduce the time between the year being audited and the year the audit report is issued.

Recommendation No. 2

The Department should ensure estimated, eligible and actual transportation costs for Terra Nova and White Rose are determined and reported in accordance with the Royalty Regulations, 2003.

Entity's response from previous report

In 2010, the Department informed us that:

- transportation assets are shared between the Hibernia and Terra Nova projects; therefore the treatment of costs in one project can have implications for the other project. With the resolution of Hibernia transportation in the recent conclusion of negotiations for the Hibernia South Extension, the assessment of Terra Nova transportation rules would take place. It also indicated that in the interim, the $2 per barrel placeholder protects the Province's interest for the calculation and remission of royalty.

- White Rose was also a regulated project under the *Royalty Regulations, 2003*. However, it did not share the same transportation infrastructure as Hibernia and Terra Nova and would require separate consideration.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that "*The Department has and continues to ensure estimated and actual transportation costs are determined and reported in accordance with the* Royalty Regulations, 2003. *The key distinction is that the cost eligibility criteria under these Regulations was not developed due to the ongoing dispute relating to the Hibernia Transportation assets, shared with the Terra Nova Project.*

As noted in our previous response, the Hibernia dispute was resolved in February 2010. The Department has been in consultation with the Terra Nova interest holders on the transportation matters this past fiscal year. The Province is currently drafting revisions to the Royalty Regulations, 2003 *to implement transportation cost eligibility criteria for the Terra Nova project. These Amendments are anticipated to be completed in the Summer of 2011. Issues relating to the White Rose project will be addressed subsequent to the implementation of the Terra Nova Amendments.*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to finalize the amendments to the *Royalty Regulations, 2003* to implement cost eligibility criteria for the Terra Nova project and address issues related to the White Rose project.

Recommendation No. 3

The Department should update its audit manual.

Entity's response from previous report

In 2010, the Department informed us that it was continuously revising its audit plans and testing procedures to reflect past findings and evolving audit practices in particular reference to the petroleum industry. It was currently in the process of assessing future needs based on past audit experiences, emerging issues and recently signed agreements to ensure the Division was well positioned to meet its audit mandate. It also indicated the results of this assessment would be integrated into a revised Audit Manual and development of testing procedures for each project.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"An updated audit manual has been completed."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Department should document its procedures for conducting desk reviews.

Entity's response from previous report

In 2010, the Department informed us that it had revisited processes and procedures to address considerations that arose related to the desk audits. It was committed to developing and maintaining desk audit procedures that provided for the early detection of issues and trends in royalty calculation and payment.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The Department has processes and checklists for the purposes of conducting the desk reviews of royalty submissions. These checklists are detailed in nature, supported by defined template spreadsheets and completed by staff with accounting backgrounds. The Department has continued to update and improve upon the checklists and these processes as new matters and issues arise. The Department does not recognize a need for any further documentation relative to these processes and will continue to modify and update these checklists and processes as new matters arise."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

PART 2.35

DEPARTMENT OF NATURAL RESOURCES

SEIZED PROPERTY

**(2008 ANNUAL REPORT, PART 2.16;
UPDATE: 2010, PART 2.32)**

Seized Property
(2008 Annual Report, Part 2.16; Update: 2010, Part 2.32)

Introduction

Our 2008 Annual Report included a review of Seized Property at the Department of Natural Resources (the Department). We conducted our review to determine whether the Department had systems and procedures in place to record, store, monitor and dispose of seized property.

What we found

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

- The Department could not provide information on the total number of pieces of seized property in its possession because it did not maintain either a centralized manual or computerized system to record seized property.
- Required documentation related to seizure of property was not always on file. The Department had not established a system that would provide a history of all seized property in inventory.
- There were no periodic audits, inspections or managerial review of seized property. As a result, there was no check as to whether seized property was being adequately protected, and policies and procedures were being followed.
- There was no segregation of duties over seized property in that the Conservation Officer who seized the property was also responsible for its safekeeping. As a result, missing or inappropriate use of property could go undetected.
- Seized property was not always adequately stored and protected from deterioration. As a result, property to be used as evidence could be compromised and the Department could be subject to liability if property deteriorates and had to be returned to owners.
- Individuals were not always advised at the time they were charged that a bond could be posted for the return of their seized property.
- The Department did not adequately document and promptly dispose of all forfeited property.
- There were inconsistencies in how the Department tracked wild game meat provided to charities to serve at fundraising events. In particular, the Department did not always track where all of the meat from a particular animal was sent. As a result, the Department would not be able to alert the appropriate charitable organization should information come to their attention that would bring into question the suitability of the meant for human consumption.

Seized Property
(2008 Annual Report, Part 2.16; Update: 2010, Part 2.32)

Our follow-up

In our 2010 Update Report we concluded that four of the original seven recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the four recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should establish standard procedures for recording and documenting the control of all seized property.*

2. *The Department should ensure documentation is completed as required.*

3. *The Department should establish procedures for conducting periodic unannounced inspections of seized property by someone who is not routinely or directly connected with the control of the property.*

4. *The Department should ensure the disposal of seized property is documented.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2008 Annual Report, four of the original seven recommendations had only been partially implemented.

We agree with the Department's position that the recommendation numbers 1, 2, 3 and 4 have been partially implemented. However, we will not follow-up on these recommendations again next year as the Department agrees with these recommendations and, based on action taken to date by the Department, we are reasonably satisfied that the issues have been adequately addressed.

Recommendation No. 1

The Department should establish standard procedures for recording and documenting the control of all seized property.

Entity's response from previous report

In 2010, the Department informed us that it was researching Nova Scotia's occurrence system and whether they were willing to provide this system to the Province. Formal discussions were scheduled for March 2010.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"A Policy has been drafted by the Legislation & Compliance (L & C) Division in DNR. This Policy has been approved as of April 2011 by Deputy Minister (CEO). The Policy entitled Exhibits/Property covers forfeitures; exhibits; reporting; tracking; disposition; returns; storage. The goal is to begin implementation immediately.*

DNR is currently in communications with the Province of Nova Scotia about acquiring their occurrence system (OTIS). In March, 2011 staff within the L & C Division were briefed on the system by representatives from the Province of NS. The briefing included a complete run through of the system via an online scenario. The L & C Division is also working with the Office of the Chief Information Officer (OCIO) on how the system can be implemented for DNR. A meeting is being scheduled in May to bring the OCIO, DNR, and the Province of NS together to look at the system and address any concerns. If no serious issues or concerns arise then the goal is to request permission for the occurrence system (OTIS) from the Province of NS."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation had been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 2

The Department should ensure documentation is complete as required.

Entity's response from previous report

In 2010, the Department informed us that:

- it was researching Nova Scotia's occurrence system and whether they were willing to provide this system to the Province. Formal discussions were scheduled for March 2010; and
- Conservation Officers were reminded to document seized property.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"A Policy has been drafted by the Legislation & Compliance (L&C) Division in DNR. This Policy has been approved as of April 2011 by Deputy Minister (CEO). The goal is to begin implementation immediately."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation had been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 3

The Department should establish procedures for conducting periodic unannounced inspections of seized property by someone who is not routinely or directly connected with the control of the property.

Seized Property
(2008 Annual Report, Part 2.16; Update: 2010, Part 2.32)

Entity's response from previous report

In 2010, the Department informed us that it would implement an audit system that would be coordinated in each of the three regions, by the respective regional compliance managers.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"A Policy has been drafted by the Legislation & Compliance (L&C) Division in DNR. This Policy has been approved as of April 2011 by Deputy Minister (CEO). The Policy entitled Exhibits/Property covers periodic unannounced inspections of seized property by staff in L & C division. The goal is to begin implementation immediately.*

Currently DNR officials from the L & C Division (Firearms Control Officer) along with assistance from the Regional Compliance Managers, do an internal audit yearly on all firearms and ammunition including seized items. Additional to this is a clause in the Firearms Policy that periodic unannounced inspections are conducted on firearms and ammunition including seized items. One is planned for 2012. Other seized items are monitored by Regional Compliance Managers and periodic checks on this are conducted upon site visits to each district in their respective regions. Lists of seized items in each district and region are also maintained by the Regional Compliance Managers."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 4

The Department should ensure the disposal of seized property is documented.

Seized Property
(2008 Annual Report, Part 2.16; Update: 2010, Part 2.32)

Entity's response from previous report

In 2010, the Department informed us that:

- it was researching Nova Scotia's occurrence system and they are willing to provide this system to the Province. Formal discussions were scheduled for March 2010; and
- Conservation Officers were reminded to document seized property.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"A Policy has been drafted by the Legislation & Compliance (L & C) Division in DNR. This Policy has been approved as of April 2011 by Deputy Minister (CEO). The Policy entitled Exhibits/Property covers forfeitures; exhibits; reporting; tracking; disposition of seized property. The goal is to begin implementation immediately."*

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

PART 2.36

DEPARTMENT OF NATURAL RESOURCES

INSPECTION AND LICENSING OF SLAUGHTER FACILITIES

**(2008 ANNUAL REPORT, PART 2.17;
UPDATE: 2010, PART 2.33)**

Inspection and Licensing of Slaughter Facilities (2008 Annual Report, Part 2.17; Update: 2010, Part 2.33)

Introduction

Our 2008 Annual Report included a review of Inspection and Licensing of Slaughter Facilities at the Department of Natural Resources (the Department). We conducted our review to determine whether the Department and the Government Services Centre (GSC) are complying with slaughter facility inspection and licensing requirements of the *Meat Inspection Act*, the *Meat Inspection Regulations* and Departmental policy.

What we found

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

During the year ended 31 December 2007, there were 23 licensed slaughter facilities in the Province. The Department, through the Animal Health Division, is responsible for the meat inspection program. This program involves mandatory licensing of slaughter facilities and the non-mandatory inspection of an animal prior to slaughter, and the slaughter process of that animal. The legislative requirements of the program are outlined in the *Meat Inspection Act* and the *Meat Inspection Regulations.*

Our review indicated that the Department was not in full compliance with the *Act* and *Regulations.* In particular, slaughter facilities were operating without a valid license, and licenses were being issued to slaughter facilities even though the facilities had deficiencies. We also identified issues with follow-up inspections and inspection documentation. Our conclusions are based on the following:

- There were 19 slaughter facilities that operated for a period of time in 2007 without a valid license. Of these 19, 12 facilities had six month temporary licenses as a result of deficiencies identified in the previous inspection. Of these 12, 9 operated for a period of six months or more following the expiry of the previous license.

- In 2007, the Department issued licenses to 6 slaughter facilities even though deficiencies were noted during the inspection process. Deficiencies would include, for example, hand washing not available on the kill floor, immediate cooling of meat not available and facility cleaning not being performed with the appropriate chemicals. These deficiencies were deemed to be non-critical to immediate food safety; however, they are important and are expected to be corrected. One facility with six deficiencies identified in 2006, received a license in 2007 even though three of the six deficiencies remained. Another facility with six deficiencies identified in 2006, received a license in 2007 even though two of the six deficiencies remained.

- The required annual slaughter facility inspections were not always completed on a timely basis. As of October 2008, 9 of the 20 licensed slaughter facilities had not been inspected in over a year.

- Follow-up inspections at slaughter facilities where deficiencies were identified were not documented. As a result, the Department could not demonstrate that the required corrective action was undertaken either within a reasonable period of time or within the time frame specified by the Department.

- The Department had not entered into a Memorandum of Understanding with the Department of Government Services, which as of 28 October 2011 is known as Service NL, to clearly define the roles and responsibilities of both Departments relating to slaughter facility inspection services.

- Inspection forms did not address all areas required under the *Regulations* and forms were not consistently completed by inspectors. In addition, the Department's policy manual did not adequately address all of the requirements of the *Act* and *Regulations.*

Our follow-up

In our 2010 Update Report we concluded that 1 of the original 9 recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Department requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

1. The Department should ensure that inspection forms and the inspector policy manual are updated to ensure that all appropriate items within the Act *and* Regulations *are adequately addressed.*

Information we requested

The Department was asked to advise whether the recommendation had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Inspection and Licensing of Slaughter Facilities
(2008 Annual Report, Part 2.17; Update: 2010, Part 2.33)

Overall conclusion

We agree with the Department's position that the recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should ensure that inspection forms and the inspector policy manual are updated to ensure that all appropriate items within the Act *and* Regulation *are adequately addressed.*

Entity's response from previous report

In 2010, the Department of Natural Resources informed us that inspection forms and the inspector policy manual were updated and had been sent to GSC for comment. This included summaries and explanations with each. It was expected that comments would be discussed and documents finalized at the next quarterly meeting in May, 2010.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Current Status:
The inspection manuals and forms have been completed and discussed with the Department of Government Services in May 2010.

Future Action Plans:
Opportunities will be looked for to meet with regional GSC staff in the future to assure that there are no questions related to policy implementation."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Inspection and Licensing of Slaughter Facilities
(2008 Annual Report, Part 2.17; Update: 2010, Part 2.33)

PART 2.37

SERVICE NL

SPECIAL PERMITS AND IN-TRANSIT PERMITS

(2004 ANNUAL REPORT, PART 2.22; UPDATES: 2006, PART 3.2.20; 2007, PART 3.2.13; 2009, PART 2.14; 2010, PART 2.19)

Special Permits and In-Transit Permits

2004 Annual Report, Part 2.22; Updates: 2006, Part 3.2.20; 2007, Part 3.2.13; 2009, Part 2.14; 2010, Part 2.19)

Introduction

Our 2004 Annual Report included a review of Special Permits and In-Transit Permits at the Motor Registration Division (MRD) of the former Department of Government Services (the Department) which as of 28 October 2011 is known as Service NL. 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 the Province's roads.

Highway Enforcements 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 been obtaining In-Transit Permits because the cumulative cost of these permits was cheaper than the annual licensing fee.

Our follow-up

In our 2010 Update Report we concluded that the original 2004 recommendation resulting from our review had not been fully implemented. In February 2011, we contacted the Department requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

1. *The Department of Government Services should continue with efforts to review and address issues surrounding Special and In-Transit permits.*

Information we requested

The Department was asked to advise whether the recommendation had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the former Department of Government Services has made progress in addressing the recommendation from our 2004 Annual Report, the original recommendation had only been partially implemented.

To fully implement the recommendation, Service NL will need to:

- finalize its plan with respect to mobile cranes and other heavy equipment; and
- submit the plan to Cabinet.

We agree with the Department's position that recommendation number 1 has been partially implemented and, therefore, we will follow-up on this recommendation again next year.

Recommendation No. 1

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

In 2010, the Department informed us that:

- The issue of In-Transit permits for private vehicles and commercial vehicles had been addressed; and
- With respect to mobile cranes, recommendations were being finalized in consultation with the Occupational Health and Safety Branch of the Department.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"With respect to mobile cranes, the above recommendations have not been implemented. Discussions are being finalized on this matter."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to:

- finalize its plan with respect to mobile cranes and other heavy equipment; and
- submit the plan to Cabinet.

Special Permits and In-Transit Permits

2004 Annual Report, Part 2.22; Updates: 2006, Part 3.2.20; 2007, Part 3.2.13; 2009, Part 2.14; 2010, Part 2.19)

PART 2.38

SERVICE NL

SUPERINTENDENT OF PENSIONS

**(2006 ANNUAL REPORT, PART 2.9;
UPDATES: 2009, PART 2.13; 2010, PART 2.20)**

Superintendent of Pensions
(2006 Annual Report, Part 2.9; Updates: 2009, Part 2.13; 2010, Part 2.20)

Introduction

Our 2006 Annual Report included a review of the Superintendent of Pensions at the former Department of Government Services (the Department), which as at 28 October 2011 is known as Service NL. We conducted our review to determine whether the former Department adequately monitored the activities of registered pension plans as required by the *Pension Benefits Act, 1997*.

What we found

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

- The monitoring of the activities of pension plans was inadequate in that the former Department did not have a formal risk assessment process to identify pension plans which did not comply with legislation or did not have sufficient assets to provide pension benefits to members when they retired. Furthermore, there was no requirement for Pension Plan Administrators to submit financial statements, and field inspections and audits had never been conducted by Department officials.

- The former Department's database of pension information was inaccurate.

- Correspondence from Pension Plan Administrators requiring a response by the former Department was not always addressed on a timely basis.

- The Superintendent was not reporting on the pension plans in the Province.

- Formal training was not provided to the Compliance Officer.

Our follow-up

In our 2010 Update Report we concluded that two of the original six recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the former Department requesting an update as to what progress had been made on the two recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should respond on a timely basis to correspondence received from Pension Plan Administrators.*

2. *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.*

Superintendent of Pensions
(2006 Annual Report, Part 2.9; Updates: 2009, Part 2.13; 2010, Part 2.20)

Information we requested

The former Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the former Department of Government Services has made progress in addressing the recommendations from our 2006 Annual Report, one of the original six recommendations had not been implemented and one of the original six recommendations had only been partially implemented.

We agree with the former Department's position that the recommendation number 1 has been partially implemented and that the recommendation number 2 has not been implemented and, therefore, we will follow-up on these recommendations again next year. To fully implement the recommendations, Service NL will need to:

- respond to the backlog of correspondence from the pension plan administrators; and
- complete a report on the activities of the Superintendent of Pensions for the 2010-11 fiscal year.

Recommendation No. 1

The Department should respond on a timely basis to correspondence received from Pension Plan Administrators.

Entity's response from previous report

In 2010, the former Department informed us that it continued to address priority correspondence on a timely basis but the backlog would not be completely up-to-date until a new position in the Pensions section was filled. A position description had been prepared for the new position and it was expected that the position would be classified in a couple of months.

Entity's response to current request

In 2011, the former Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"The new position has been classified and advertised. It is expected that this position will be filled over the next few months. In the interim, the Department continues to address priority correspondence on a timely basis, although there is still non-priority correspondence that has not been addressed. The new position should assist in addressing any outstanding correspondence."*

Our conclusion

Follow-up Required

We agree with the former Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to respond to the backlog of correspondence from the pension plan administrators.

Recommendation No. 2

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

In 2010, the former Department informed us that before the end of the 2010-11 fiscal year it would complete a report on the activities of the Superintendent of Pensions for the 2009-10 fiscal year.

Entity's response to current request

In 2011, the former Department informed us that the recommendation had not been implemented.

Furthermore, it indicated that *"Due to unforeseen staff shortages, a report on the activities of the Superintendent of Pensions for the 2009-10 fiscal year has not been completed. Once the staff shortages have been addressed, the Department should be able to complete a report for the 2010-11 fiscal year."*

Superintendent of Pensions
(2006 Annual Report, Part 2.9; Updates: 2009, Part 2.13; 2010, Part 2.20)

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to complete a report on the activities of the Superintendent of Pensions for the 2010-11 fiscal year.

PART 2.39

SERVICE NL

FOOD PREMISES INSPECTION AND LICENSING PROGRAM

**(2007 ANNUAL REPORT, PART 2.7;
UPDATES: 2009, PART 2.11; 2010, PART 2.16)**

Food Premises Inspection and Licensing Program
(2007 Annual Report, Part 2.7; Updates: 2009, Part 2.11; 2010, Part 2.16)

Introduction

Our 2007 Annual Report included a review of the Food Premises Inspection and Licensing Program at the former Department of Government Services, which as of 28 October 2011 is known as Service NL. We conducted our review to determine whether the former Department of Government Services, through its Government Service Centres (GSC), and/or the Department of Health and Community Services (the Department):

- was complying with food premises inspection and licensing requirements;
- was complying with the Memorandum of Understanding (MOU);
- was monitoring the food inspection and licensing program; and
- had addressed 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 *Food Premises 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 *Food Premises 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.

We found that in 28% of the files examined, where the food premises was licensed in 2005, there was no evidence in the file to indicate that the premises was assessed for risk by an Environmental Health Officer (EHO). As a result, we could not determine the required inspection frequency for these premises for the year and whether the inspections actually carried out for these premises were sufficient to control the health risk posed to public.

We found that in 218 of 224 inspection reports reviewed where a critical health hazard was identified, the EHO did not indicate on the inspection report whether the critical hazard was corrected or controlled on completion of the inspection as required by Department of Health and Community Services policy.

We found five food premises where critical health hazards occurred in two consecutive inspections and the total critical hazard score in the second inspection was less than 48; however, the food premises was not closed as required by Department of Health and Community Services policy (critical hazards included cold holding of foods at too high a temperature, improper cooking and holding of food, and cross-contamination of food).

A significant number of food premises had the same health hazards recurring in consecutive inspections indicating that these hazards are not being corrected. In one food premises, we found that two critical health hazards identified had recurred in eight consecutive inspections (critical hazards included cold holding of foods at too high a temperature and thermometer not present or not working). The Department of Health and Community Services has no policy that addresses the situation where the same critical health hazard recurs more than once.

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 of Health and Community Services, and the Regional Integrated Health Authorities.

Compliance with the MOU: The MOU was 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 of Health and Community Services 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 our 2010 Update Report we concluded that one of the original 13 recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department of Health and Community Services requesting an update as to what progress had been made on the one recommendation as of 31 March 2011. The recommendation is as follows:

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

Information we requested

The Department of Health and Community Services was asked to advise whether the recommendation had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

We agree with the Department of Health and Community Services position that the recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

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

Food Premises Inspection and Licensing Program
(2007 Annual Report, Part 2.7; Updates: 2009, Part 2.11; 2010, Part 2.16)

Entity's response from previous report

In 2010, the Department of Health and Community Services informed us that a Standing Committee had been established to evaluate the MOU and that a questionnaire was circulated to Committee members to begin the evaluation of the MOU. The results of the questionnaire were to form the basis of further evaluation activities in 2010-11.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented. Furthermore, it indicated that:

"A review/evaluation of the Memorandum of Understanding was completed in 2010-11."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.40

SERVICE NL

INSURANCE ON MOTOR VEHICLES

(2007 ANNUAL REPORT, PART 2.8; UPDATES: 2009, PART 2.12; 2010, PART 2.17)

Insurance on Motor Vehicles
(2007 Annual Report, Part 2.8; Updates: 2009, Part 2.12; 2010, Part 2.17)

Introduction

Our 2007 Annual Report included a review of Insurance on Motor Vehicles at the former Department of Government Services (the Department) which as of 28 October 2011 is known as Service NL. We conducted our review 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 2007 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 is not complying with the requirements of the *Act*, in that vehicles were not impounded, nor were drivers' licences suspended. Also, many of the fines imposed remained unpaid. As at 31 March 2006, the balance of unpaid fines related to operating a motor vehicle without insurance totalled $9.5 million.

Our follow-up

In our 2010 Update Report we concluded that the original recommendation resulting from our review had not been fully implemented. In March 2011, we contacted the former Department of Government Services requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

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.*

Information we requested

The former Department of Government Services was asked to advise whether the recommendation had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Insurance on Motor Vehicles
(2007 Annual Report, Part 2.8; Updates: 2009, Part 2.12; 2010, Part 2.17)

Overall conclusion

While the former Department of Government Services has made progress in addressing the recommendation from our 2007 Annual Report, the original recommendation had only been partially implemented. We agree with the former Department of Government Service's position that this recommendation has been partially implemented; however, we will not follow up on this recommendation again next year as the former Department of Government Services agrees with the recommendation and, based on actions taken to date by the former Department of Government Services, we are reasonably satisfied that the issue has been adequately addressed.

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 2010, the former Department of Government Services informed us that there had not been any further progress among the Atlantic Registrars regarding on-line insurance verification. Three of the four provinces, including Newfoundland and Labrador, had implemented, or were in the process of implementing, new computer systems. Further consideration would be given as the provinces establish their new computer systems, but this process was expected to take a substantial period of time (three to five years) given the magnitude of these projects.

The former Department of Government Services indicated that development of an on-line insurance verification process (for private vehicles) would be a component of a replacement computer system.

The former Department of Government Services was still exploring significant issues regarding vehicle seizure and impoundment. Defining a time frame for completion of this review was not possible at the time of its 2010 response.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation was partially implemented.

Furthermore, it indicated that *"The status on these issues remains unchanged from the Department's response of 2010. A replacement computer system has not been approved for MRD at this time.*

The department continues to identify the significant issues regarding vehicle seizure and impoundment and that defining a time frame for completion of this review is not possible at this time."

Our conclusion

Follow-up Not Required

We agree with the former Department of Government Service's position that this recommendation has been partially implemented; however, we will not follow up on this recommendation again next year as the former Department of Government Services agrees with the recommendation and, based on actions taken to date by the former Department of Government Services, we are reasonably satisfied that the issue has been adequately addressed.

PART 2.41

SERVICE NL

OFFICE OF THE CHIEF INFORMATION OFFICER

(2008 ANNUAL REPORT, PART 2.2; UPDATE: 2010, PART 2.3)

Office of the Chief Information Officer
(2008 Annual Report, Part 2.2; Update: 2010, Part 2.3)

Introduction

Our 2008 Annual Report included a review of the Office of the Chief Information Officer at the Executive Council which as of 28 October 2011 falls under Service NL. We conducted our review to determine whether the Office of the Chief Information Officer's management practices and controls were adequate.

What we found

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

The Office of the Chief Information Officer (OCIO) was established in April 2005, bringing together the information technology operations of Government into a central organization. The OCIO supports more than 100 commercial software applications and over 500 custom built applications. These applications are on over 600 servers and delivered to 6,300 personal computers. The OCIO had expenditures of $61.1 million in 2007-08.

We identified a number of concerns at the OCIO as follows:

Backup and Recovery

There could be instances where either not all critical information is being backed up or storage media and devices may not be useable in the event of a fire or other disaster. This situation results because of the following issues:

- There were no Disaster Recovery Plans in place for 538 (96%) of the 559 Government supported applications. Disaster Recovery Plans were in place for only 21 (4%) of the 559 applications. These 559 applications relate to non-mainframe services which include about 98% of all Government services. As a result, Government systems, data, and services may not be available in the event of a disruption, emergency or disaster.

- Data backups for OCIO managed servers were not kept in a fireproof environment as required by OCIO policy.

- Backups were not tested in six month intervals from the date of first use as required by OCIO policy.

- There were no documented procedures to direct the daily backup of computer systems and storage of backup media. OCIO officials indicated that several documents are in draft form.

- There was no well defined process in place to ensure that clients identify and store on OCIO managed servers, all information considered critical for their continued operation. OCIO clients were responsible for ensuring that they place information in need of backup services on OCIO managed servers.

- The listing of OCIO supported applications provided at 31 March 2008 was not accurate. As a result, there may have been computer applications in use in various locations that had not been identified and were not supported by the OCIO. Therefore, the confidentiality, integrity of systems and data related to these applications may not be adequately protected.

IT Security

The OCIO had not established charts of authority for all applications which it supports. These charts of authority are necessary to identify who can access defined activities related to an application. As at 31 March 2008, there were only 165 charts of authority completed out of a total of 427 applications supported by the OCIO. An additional 194 of the 427 were completed up to October 2008.

As a result, there was an increased risk of unauthorized access to Government systems and data.

Service Level Agreements

As of 31 March 2008, there were no Service Level Agreements in place between the OCIO and client departments. As a result, roles and responsibilities of the OCIO and departments were not set out and there was no agreement with clients on security and disaster recovery processes, expectations, and reporting requirements. OCIO officials informed us that as of October 2008 there were 29 Service Level Agreements at different stages of development, sixteen (16) of which were ratified.

There were 18 Planning and Service Delivery Committees established in 2007-08 and OCIO officials indicated there were concerns with 14 of the Committees. These concerns included such things as a lack of understanding of the Committee mandate, areas of focus, Committee membership and frequency and scheduling of meetings. As a result, there was no clear understanding of the role and responsibilities of the OCIO and clients, and the Planning and Service Delivery Committees were not functioning as intended.

Professional Services Contracts

In 2006-07, the OCIO entered into three long-term professional services agreements covering the period 1 April 2007 to 31 March 2010. We identified the following:

- There was no competitive bidding process in place to ensure the most qualified vendor performed the work at the lowest cost. Officials informed us that during 2007-08, the work under these contracts was assigned through a method of rotating the work through each of the three vendors. As a result, the OCIO did not make any determination of which vendor had the lowest cost, best timeline, and best resources to perform the work. In 2007-08 these three contractors received a total of $24.3 million in contract work.

- There were instances of non-compliance with the framework in that not all required monthly status reports and project closure reports were prepared.

- Work was sometimes started by contractors before a signed legal agreement detailing the required work and other specifics was in place.

- There was no formal evaluation of vendor performance under Service Level Agreements. As a result, OCIO was unable to determine if the vendors are performing up to expectations.

IT Hardware and Software

Controls over the recording and monitoring of IT hardware were not adequate and the OCIO was not complying with Government's Financial Management Policy on IT asset inventory as evidenced by the following:

- Not all computers were scanned by the OCIO's LANDesk software.

- There were no periodic comparisons by OCIO officials of physical quantities of IT assets to inventory records.

- There was no asset tracking for printers, keyboards, mouse or other smaller assets. These assets were not tagged, physically verified or electronically scanned.

- The value of all IT assets on hand as of 31 March of the fiscal year was not reported to the Comptroller General, as required. The OCIO does not have a system for monitoring software licensing and usage. Such a system could track software licenses and usage, compare licenses purchased with licenses in use and produce regular compliance reports. As a result, the existence and use of unlicensed software throughout Government could go undetected and there was a risk of purchasing too many software licenses.

Information Management

Although the OCIO's 2007-08 Annual Report to the House of Assembly indicated that its Information Management Policy Framework was adopted in 2007, we found that, as at October 2008, the Information Management Policy Framework was still only in draft form.

Officials informed us that the OCIO was working toward implementation of several industry best practices including ISO standards for records management and that, although not incorporated then, these standards were expected to be incorporated into OCIO's Information Management Policy Framework.

Purchasing

The OCIO violated the *Financial Administration Act* in that there were five instances totaling approximately $651,800 where goods and services were ordered and received without the prior issuance of a purchase order and the prior recording of the commitment in Government's financial management system.

Planning and Reporting

There were no operational plans for four of the OCIO's five divisions. Such plans help ensure that resources were deployed in the most effective manner to achieve goals and objectives. In addition, the required quarterly monitoring reports were not always prepared. For example, during 2007-08, due to the ongoing budget process, it was not feasible to implement the third quarter status report.

Training Plan

Although the OCIO has a goal to improve information management practices in Government through the development and delivery of information management training, a training plan had not yet been developed. Without a training plan, the OCIO cannot demonstrate its progress in providing information management training as identified in its Business Plan.

Our follow-up

In our 2010 Update Report we concluded that 7 of the original 25 recommendations resulting from our review had not been fully implemented. In March 2011, we contacted the Office of the Chief Information Officer requesting an update as to what progress had been made on the 7 recommendations as of 31 March 2011. The recommendations are as follows:

1. *OCIO should ensure Disaster Recovery Plans are in place for all Government supported applications.*

2. *OCIO should ensure backups are tested in six month intervals from the date of first use as required.*

3. *OCIO should ensure there are documented procedures to direct daily backup of computer systems and storage of backup media.*

4. *OCIO should ensure that a process to modify access privileges is well defined.*

5. *OCIO should ensure that there is a comprehensive password policy in effect.*

6. *OCIO should ensure that Service Level Agreements are in place between the OCIO and clients to clearly outline security and disaster recovery processes, expectations, and reporting requirements.*

7. *OCIO should ensure a system for monitoring software licensing and usage is in effect.*

Office of the Chief Information Officer
(2008 Annual Report, Part 2.2; Update: 2010, Part 2.3)

Information we requested

The Office of the Chief Information Officer was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the OCIO has made progress in addressing the recommendations from our 2008 Annual Report, one of the original 25 recommendations had only been partially implemented.

We agree with the OCIO's position that recommendation number 1 has been partially implemented; however, we will not follow-up on this recommendation again next year, as the OCIO agrees with the recommendation and, based on actions taken to date by the OCIO, we are reasonably satisfied that the issue has been adequately addressed.

We agree with the OCIO's position that the recommendation numbers 2, 3, 4, 5, 6 and 7 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

OCIO should ensure Disaster Recovery Plans are in place for all Government supported applications.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

The process of developing a Disaster Recover (DR) Plan for any system is often complex, costly, and time consuming. As a result, it will likely take several years to complete DR Plans for all OCIO supported systems.

The OCIO was focusing on providing DR Plans for mission critical systems and would then expand the process to include all Government supported applications. Since the Auditor General report, the OCIO had created a temporary DR site (in essence a secondary data centre).

As of January 11, 2010, 600 client applications had been identified, 102 of which had DR Plans in place and an additional 9 DR Plans in development. In total, 17% of all client applications had formal DR Plans in place. Disaster Recovery Plans include everything needed to rebuild client applications from scratch including build books, guidelines and procedures, hardware and software.

Furthermore, as part of an ongoing initiative within OCIO to improve Government's overall DR strategy, significant funding was allocated to purchase new hardware/software which could be utilized at an offsite facility to recover any failed services. The majority of this infrastructure had been purchased, installed and tested over the last six months of the fiscal year, and the OCIO was at a point where the Operations Branch support teams were ready to perform a test of the core operational infrastructure at its temporary DR site.

This test was intended to validate the DR Plans for the recovery of the Core Network services, SAN, Email, Internet, Active Directory, Blackberry, Dynamic Host Configuration Protocol and Domain Name Services. The objective of this test was to confirm that the actual recovery of these components functions as expected, which would then position the OCIO to begin recovery of client applications on this infrastructure, should the need arise in the future. Up to that point, much of this testing had been performed in isolation, and usually at the Higgins Line premises. This test would involve all the components noted above, working together to deliver the same functionality from an alternate site. The OCIO was aiming to have this test performed by March 31, 2010.

Although DR Plans were not completed for all 600 applications, improvements to the OCIO's backup infrastructure and software had positioned the OCIO to recover any of these 600 applications to new infrastructure by following industry standard recovery processes. Documenting detailed plans for each application and testing these plans would further strengthen the overall DR program.

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"While the process of developing a Disaster Recovery Plan for any system is often complex, costly and time consuming, the OCIO continues to make steady progress towards this goal. It will take many years to complete formal written Disaster Recovery Plans for all OCIO supported systems.

The OCIO is currently focusing on providing Disaster Recovery Plans for mission critical systems and have expanded the effort to include all supported applications. In addition, as new applications are implemented Disaster Recovery Plans are developed. As of March 31, 2011, 165 of 643 applications have formal Disaster Recovery Plans in place. An additional 59 Disaster Recovery Plans for larger applications and another 70 simplified Disaster Recovery Plans for single server applications are currently under development. This will bring the total number of plans completed or in progress to 294.

In the 2010 update, the OCIO highlighted its plans to test the recovery of Core Network services. This test was intended to validate the Disaster Recovery Plans for the recovery of our Core Network services, SAN, Email, Internet, Active Directory, Blackberry, Dynamic Host Configuration Protocol and Domain Name Services. The OCIO successfully completed the testing of these Core Network services over the January 22, 2010 – April 2, 2010 time frame.

In addition to the development and testing of formalized Disaster Recovery Plans, the OCIO continues to make significant improvements with respect to our underlying architectures and core technologies. Key investments in storage/recovery technologies as well as our virtualization platforms allow us to rapidly and reliably recover the vast majority of all Government systems following industry standard recovery processes. Documenting detailed plans for each application and testing these plans will further strengthen our overall Disaster Recovery program. The investments the OCIO has made in both human resources as well as underlying technology have greatly improved our ability to recover all Government systems and we are well positioned to respond to a Disaster Recovery event.

Although many Disaster Recovery Plans remain to be developed, the OCIO feels that significant progress that has been made and architectures are in place. OCIO considers this recommendation to be partially implemented."

Our conclusion

Follow-up Not Required

We agree with the OCIO's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year, as the OCIO agrees with the recommendation and, based on actions taken to date by the OCIO, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 2

OCIO should ensure backups are tested in six month intervals from the date of first use as required.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

The OCIO Information Technologies Operations Branch was working closely with the Application Support Branch to implement recovery testing and auditing capability to verify the validity of various application backup processes.

The Application Protection Team had initiated several projects involving database backups in an effort to improve service to its clients and reduce risk for the OCIO. The Recovery Validation Exercise (RVE) was one such project with a focus to validate that existing backup procedures were structured in such a way that the client's database could be recovered successfully. Validation of the backup and restore procedures would reduce the risk of having unrecoverable databases during an actual emergency.

During Stage 1 of the RVE, focus was given to applications identified by the OCIO as "critical". During this stage, the restore procedures for these applications were executed and the recovery of the databases were validated and documented. Only two databases were found to have issues and their corresponding backup procedures were redesigned.

Stage 2 of the RVE was initiated in January, 2010. This stage concentrated on applications which OCIO considered "vital" and out of scope for the Backup and Recovery Initiative.

Stage 3 of the RVE would focus on the remaining applications that were not considered "critical" or "vital".

The Backup and Recovery Initiative had been actively working towards implementing a strategy to manage the three major database stacks utilized within Government: Oracle, MySQL, and SQL Server. Assessments of various vendor solutions had been completed and the recommended solutions were in the process of being acquired. Backup testing schedules were being developed in preparation for the availability of the new solutions. Implementation of this improved database backup approach would further improve the overall backup strategy utilized by OCIO for all backup processes.

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"As noted in a previous update, the technology used by the OCIO for data backups and restoration is an enterprise calibre solution. Data checks after tape writes and overall data integrity checks are a key element of this solution.

The OCIO's current operational backup and restore processes are fully tested through frequent ad-hoc restore requests from both OCIO staff and Departmental clients (approximately 30-50 per month). In addition, our support staff perform full server restores in response to system failures. All of these restores utilize the OCIO's enterprise backup solution. As our Disaster Recovery Plans expand and additional applications are included, there will be further restores of data backups.

Based on these regular and frequent ongoing activities it is no longer necessary to schedule backup testing on 6-month intervals. The OCIO Backup Policy has been updated to reflect this change.

It should be noted that despite the significant number of tape restores in the past few years, there has never been an occasion where there was an issue with tape integrity or missing data on any tape. This reflects the quality and integrity of the OCIO's backup and recovery solution".

Our conclusion

Follow-Up Not Required

We agree with the OCIO's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

OCIO should ensure there are documented procedures to direct daily backup of computer systems and storage of backup media.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

The OCIO continued to move forward with improvements to its overall backup strategy. Utilizing its current backup policy, OCIO had applied the 30-day retention guideline to all backups managed by OCIO. As part of its ongoing repatriation of backups managed by xwave, OCIO had repatriated 75% of backups and expected to have the remaining 25% repatriated by March 31, 2010.

Exceptions to the default 30-day backup retention guideline were being documented and signoff from both clients and OCIO were being obtained, with the plan to have these documents stored in TRIM for future reference. The Applications Services Branch within OCIO would manage any identified exceptions to ensure files were archived and managed to meet client's expectations.

The Operations Branch of OCIO had developed checklists which the support staff utilize to perform required checks and balances to ensure optimal performance of the backup infrastructure.

The OCIO also maintained several documents that direct the daily backup of computer systems. They include a Backup Configuration Management Database outlining all information assets on Government of Newfoundland and Labrador servers that are backed-up by the Enterprise Storage and Recovery Team. As well, several documents were used by the team to deliver the service. These documents include: Tivoli Storage Manager Operations Guide and a Tivoli Storage Manager detailed design document outlining the infrastructure in place to support enterprise storage management and recovery processes.

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The OCIO has successfully repatriated all of the backups previously managed by Xwave.

The OCIO has documented procedures in place that direct the daily backup of computer systems and storage of backup media".

Our conclusion

Follow-Up Not Required

We agree with the OCIO's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

OCIO should ensure that a process to modify access privileges is well defined.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

The OCIO support teams were providing lists of accounts to clients for validation. While this process had been positively received, it still required more formalization and clients needed to be more diligent in managing access to their applications. The OCIO continued to remove application access rights as requested by the client. However, the client remained responsible for requesting account management changes to the OCIO. The Application Services Branch of the OCIO was researching the possibility of having a "client account management process" incorporated into an "employee exit strategy" in order to improve the speed and accuracy of account management functions.

Specific to general account management, reports of terminated employees were regularly provided to OCIO Account Management resources by payroll to ensure that network accounts and access was terminated accordingly.

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The process for modifying access privileges is well defined in that the Chart of Authorities for each application clearly outlines who has the authority/responsibility to request that an account be created, modified, deactivated or deleted. The OCIO feels that the identified departmental staff on the Chart of Authorities are responsible for ensuring that notification is given to the application account managers whenever a change is required. The OCIO will continue to work with client departments to ensure that they are aware of their responsibilities when it comes to account management for applications that the OCIO manages as well as applications which the clients manage themselves.

The OCIO did engage with the Human Resources Division on the possibility of having a "client account management process" as part of an "employee exit strategy" but was advised that it wasn't appropriate to be a part of the exit strategy given its purpose of surveying employee's several months after leaving the employment of Government".

Our conclusion

Follow-Up Not Required

We agree with the OCIO's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

OCIO should ensure that there is a comprehensive password policy in effect.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

Actions taken with regard to improving password management included those outlined below:

- The OCIO had implemented a practice to require the use of "complex passwords" for Government employees to access Government's network. Additionally, significant work was underway in the Application Services Branch with individual applications, to audit password procedures and implement enhanced password practices. A recent project had assessed all existing applications and identified the level of requirement for increased password complexity across the entire application portfolio. Pending availability of funding, mitigation efforts would be undertaken in the new fiscal year to especially target those applications requiring a secondary level of password protection.

- The OCIO began using Government's Photo ID Program to authenticate the employee requesting password resets. Service Desk staff would query the caller to answer questions which provided authentication of their identity.

- The OCIO began in July 2009, to provide temporary employees with advanced notice of network account expiry dates. Expiry notification messages are sent by e-mail to temporary employees on an individual basis. When an employee receives a message from the OCIO Service Desk stating that their account is set to expire, the employee must forward the e-mail to their manager. If an extension is required, the manager must send the message back to the OCIO Service Desk requesting that the employee's account be extended with a new expiry date. While not specific to passwords, this was another step the OCIO had put in place to ensure the validity and currency of system accounts. Additionally, accounts are now automatically disabled when employees are removed from payroll, based upon regular data from payroll reports."

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Additional actions taken since the last update with regard to improving password management include:

- *A reference guide on Password Management Best Practices titled,* For Your Information *is posted on the OCIO website.*
- *A Password Management Directive, Standard and Guideline were developed and approved. The scope of these policy instruments will pertain to new systems developed by the OCIO".*

Our conclusion

Follow-Up Not Required

We agree with the OCIO's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

OCIO should ensure that Service Level Agreements are in place between the OCIO and clients to clearly outline security and disaster recovery processes, expectations, and reporting requirements.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

To date, 30 SLAs and 2 Memorandum of Understandings had been signed by departments. Two agreements were still outstanding and the agreement for the new Department of Child, Youth and Family Services had been deferred until Fiscal Year 2010/11.

A security and disaster recovery statement had been drafted and would be included as part of the addendum being incorporated into all new SLA's. Seventeen SLA's with new addendums had been signed with the remaining 13 scheduled to be signed by the end of the fiscal year.

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A Security and Disaster Recovery statement has been incorporated in the OCIO's standard Service Level Agreements (SLA) template. An annual review of each SLA also ensures that they are current and meets the needs of the department.

To date, all SLA's and Memorandums of Understanding have a statement regarding Security and Disaster Recovery incorporated into them with the exception of one entity who are aware of the future amendment to be included in their next SLA. A SLA for the Department of Child, Youth and Family Services has been deferred until the Department is fully transitioned to Government.

Due to the nature of SLA's and the ongoing effort by the OCIO to develop and improve them, the OCIO feels that this recommendation has been fully implemented."

Our conclusion

Follow-Up Not Required

We agree with the OCIO's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

OCIO should ensure a system for monitoring software licensing and usage is in effect.

Entity's response from previous report

In 2010, the Office of the Chief Information Officer informed us that:

During the second quarter of the fiscal year, the OCIO dedicated resources to complete an audit on Microsoft licensing requirements for the Government of Newfoundland and Labrador (GNL). This audit would be utilized for upcoming annual license reviews and renewals.

Historical and current software purchase information had been assembled and recorded in a central tracking database and processes were being introduced to manage this information. Monthly reports were being generated from this database which detail software installation and usage history for a select number of products. This information was being used to assess the state of software license compliance across GNL.

This review and analysis was considered a pilot project in this area. The usage and license analysis would be used to identify any instances where installed licenses exceed purchased quantities and would allow identification of instances where usage history indicated software would be removed or reallocated. Furthermore, this data would also be used to identify cases where GNL was over-licensed for specific software titles (i.e. more licenses were purchased than were currently being used), leading to a potential reduction in ongoing software maintenance costs. Once this pilot phase was complete, the OCIO would continue with the analysis of additional products and formalize the operational guidelines for software review and validation.

Entity's response to current request

In 2011, the OCIO informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Considerable effort has gone into the development of technology and processes to better manage licensed software allocations within Government. Through the use of software tracking tools, the development of processes for software acquisition/maintenance, the examination of software usage patterns, and, in certain cases, the reclamation of software, the OCIO has implemented a multi-faceted model for software lifecycle management.

During the past year, the OCIO successfully completed an internal review of key software products. This information was used to assess the state of software license compliance across Government and all required adjustments were made. The OCIO is actively working with Departments to further validate license counts and usage levels through more formal software maintenance and support renewal process. These formalized processes for managing software purchases, license renewals, and support/maintenance have been fully implemented."

Office of the Chief Information Officer
(2008 Annual Report, Part 2.2; Update: 2010, Part 2.3)

Our conclusion

Follow-Up Not Required

We agree with the OCIO's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.42

SERVICE NL

SCHOOL BUS SAFETY

**(2008 ANNUAL REPORT, PART 2.11;
UPDATE: 2010, PART 2.18)**

School Bus Safety
(2008 Annual Report, Part 2.11; Update: 2010, Part 2.18)

Introduction

Our 2008 Annual Report included a review of School Bus Safety at the Motor Registration Division (MRD) of the former Department of Government Services (the Department) which as of 28 October 2011 is known as Service NL. We conducted our review to determine whether:

- there were established policies, procedures, standards and guidelines in place to adequately reflect school bus safety processes;
- practices in place were adequate in addressing program objectives; and
- management received information necessary for planning, decision making, control and ensuring compliance with legislative responsibilities.

What we found

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

Although there had been some improvements since our 2004 report, there was still no comprehensive school bus safety plan in place. We noted, however, that such a plan was being developed and was currently in draft form. In addition, we continued to be concerned about the high incidence of defects identified by Highway Enforcement Officers during school bus inspections.

During 2007-08, 864 school bus inspections resulted in 867 defects being identified – an average of about 1 defect per inspection. In addition, 113 licensed school buses were placed out of service as a result of significant deficiencies noted during the inspections. The deficiencies included such items as issues with brakes and exhaust. This was particularly significant considering that almost all school bus inspections were arranged by advance appointment. Although private contractors operated 660 (66%) of the 1,007 licensed school buses, they accounted for 92 (81%) of the 113 licensed school buses placed out of service.

Other findings included:

- MRD did not perform the required annual inspection for 3 of the 42 Official Inspection Stations operated by school bus operators for the 2008 year;
- not all Official Inspection Stations had their annual license renewed as required by the *Official Inspection Station Regulations*;

- a significant number of older licensed school buses were operating in the Province. For example, 360 (36%) were model year 1998 or older (10 years or older). The 360 licensed school buses were comprised of 323 (90%) operated by private contractors and 37 (10%) operated by school boards. Only private contractors had licensed school buses 12 years and older. There were 135 of these licensed school buses of which 98 were 12 years old, 28 were 13 years old, and 9 were 14 years old;

- deficiencies were identified with the school bus program such as: surprise inspections represented a very small percentage of total inspecting; all Highway Enforcement Officers were not consistently completing the individual inspection items on the school bus inspection form as required by policy; there was no coordinated effort to ensure the optimum deployment of Highway Enforcement Officers; and there was no overall policy and procedures manual to provide guidance on all areas of the school inspection program. A particular area of weakness noted was with planning and assignment of school bus inspections;

- the specially designed brake meters used to test the braking efficiency of a school bus were not always being recalibrated at least every two years as required by the manufacturer; and

- in relation to the National Safety Code carrier safety rating system for commercial motor carriers within the Province, which included school bus operators, we found that, contrary to MRD policy, for 3 school bus operators assigned a "conditional" safety rating, significant delays of 9, 8 and 5 years had occurred without a follow-up facility audit.

Our follow-up

In our 2010 Update Report we concluded that four of the original ten recommendations resulting from our 2008 review had not been fully implemented. In February 2011, we contacted the former Department of Government Services requesting an update as to what progress had been made on the four recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department of Government Services should develop a policy and procedures manual to provide further guidance on the school bus safety program to Highway Enforcement Officers.*

2. *The Department of Government Services should take action to address the issue of school bus inspections being performed by unlicensed Official Inspection Stations.*

3. *The Department of Government Services should review procedures in place to ensure that all inspections of Official Inspection Stations are performed as required.*

4. *The Department of Government Services should conduct the follow-up facility audits on a timely basis.*

Information we requested

The former Department of Government Services was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plans and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the former Department of Government Services has made progress in addressing the recommendations from our 2008 Annual Report, one of the original ten recommendations had only partially been implemented and one had not been implemented.

We agree with the Department's position that recommendation number 2 has been partially implemented therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, Service NL will need to:

- complete its review of legislation and administrative practices pertaining to the licencing of Official Inspection Stations; and

- determine and implement an appropriate course of action.

We agree with the Department's position that recommendation number 4 has not been implemented. Therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, Service NL will need to:

- perform required follow-up facility audits on the four school bus contractors identified in the 2008 Annual Report; and

- ensure there is a process in place to conduct future required follow-up facility audits.

We agree with the Department's position that recommendation numbers 1 and 3 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department of Government Services should develop a policy and procedures manual to provide further guidance on the school bus safety program to Highway Enforcement Officers.

Entity's response from previous report

In 2010, the Department informed us that:

- While a formal guide was not finalized, training on the proper completion of the revised Bus Inspection Report, had already been provided to enforcement staff. An effective method for verification of inspection forms had been implemented, and the assignment of school bus inspections to enforcement staff had been revamped and implemented.

- The Department had developed an instructional guide and procedures document for inspectors on the use of brake meters. This document had been added as an appendix to the provincial Out-Of-Service criteria manual that officers use when conducting school bus inspections.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"Procedural guidelines have been completed and issued to enforcement staff on the inspection of school buses."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The Department of Government Services should take action to address the issue of school bus inspections being performed by unlicensed Official Inspection Stations.

Entity's response from previous report

In 2010, the Department informed us that:

- The expiry of the Official Inspection Station (OIS) license by November 30th of each year was an administrative process designed to ensure payment of a fee and did not diminish the integrity of inspections performed by certified mechanics. An inspection certificate issued for a motor vehicle after November 30th in a given year, where the operator of the facility had not renewed the license, or had mailed the payment for renewal which had yet to be processed, was as authentic as if the licence was re-issued by November 30th. The same mechanics were conducting the same inspection to the same standards, regardless of whether the licence renewal fee had been submitted and processed.

- The Department agreed it would be preferable to have received and processed all OIS renewal fees no later than November 30th each year. However, an operator of a garage could forward payment of his or her fee on November 30th and a period of time could elapse before the payment was processed. The Department would be evaluating whether amendments to the current legislative requirements for payment of OIS license fees by November 30th each year was appropriate.

- Despite these challenges, in December 2009 the Department requested a computer generated report and in early January 2010 staff made contact with a number of OIS operators who had not yet submitted their renewal fee. By 15 January 2010, all payments had been received.

As well, the Department subsequently provided further clarification to its 2010 response to our recommendation.

- It indicated that as noted in its response and in subsequent discussion, while they make every effort to ensure that OIS clients pay their annual registration renewal on time (by November 30th each year), a delay in receipt of this payment or in posting the renewal certificate was an administrative process and did not mean a station or its mechanics were not capable of performing proper inspections. The inspections continued to be done by "authorized inspection mechanics" as required by the legislation. However, they recognized that the annual expiry of the certificate of appointment under the regulations and its renewal being tied to the payment of an annual fee, created difficulty. As such, they would be reviewing the legislation and administrative practices to determine an appropriate course of action on this recommendation.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"...However, a review of the legislation and administrative practices pertaining to the licencing of OIS has not yet been completed."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to:

- complete its review of legislation and administrative practices pertaining to the licencing of Official Inspection Stations; and

- determine and implement an appropriate course of action.

Recommendation No. 3

The Department of Government Services should review procedures in place to ensure that all inspections of Official Inspection Stations are performed as required.

Entity's response from previous report

In 2010, the Department informed us that:

- The process of developing an enforcement plan was ongoing. At the time of their response in January 2009, there were in excess of 800 OIS in the province and every effort was being made to ensure that all stations were inspected on an annual basis, although there was no requirement for them to be inspected annually. There were 710 licenced OIS and approximately 122 remained to be inspected;

- In an effort to streamline the process of OIS inspections, Motor Registration Division had implemented a process whereby the Registrar of Motor Vehicles received regular electronic updates on the current status of garages that have been, or remain to be, inspected. Additionally, efforts were being made to better utilize enforcement staff by having garage inspections assigned and coordinated around the scheduling of other inspections in specific areas; and

- Despite geographical and human resource challenges, the Registrar had set March 31st as the deadline for all stations to have undergone inspection, and every reasonable effort would be made to meet this deadline. In cases of Fleet Service (FS) licensed facilities that operated seasonally, and in remote regions of the province where travel was not scheduled until April, there would be a small number of inspections that would not meet the March 31st deadline.

As well, the Department subsequently provided an update to its 2010 response to our recommendation.

- It indicated that to update the statistics provided in their February response, as of March 31, 2010, only 21 garages of the 710 remained to be inspected. This was significantly less that the 122 reported in February.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that *"The Registrar of Motor Vehicles receives regular electronic updates on the current status of garages that have been, or remain to be, inspected. Enforcement staff are assigned garage inspections and coordinated around the scheduling of other inspections in specific areas.*

Annually, March 31st has been set as the deadline for all stations to have undergone inspection, and every reasonable effort is made to meet this deadline. However, a small number of inspections do not meet the deadline primarily due to seasonal operations or remote locations."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The Department of Government Services should conduct the follow-up facility audits on a timely basis.

Entity's response from previous report

In 2010, the Department informed us that:

- The threshold levels of all carriers, particularly school bus operators were continually monitored. The carrier identified in the 2008 report as having a conditional rating had undergone a subsequent facility audit and had received an exceptional score, yet the database had not been updated. This had since been completed;

- There were four additional school bus contractors with a conditional rating at the time of the 2008 report. Their threshold levels at the time were 1%, 3%, 5% and 16% respectively. The Department had conducted a compliance review on one of those carriers as of February 2010; and

- During the past 24 months, the Facility Auditor position had been vacant for extensive periods of time due to vacancies and unanticipated sick leave. During those periods, in spite of extensive work loads, some Highway Enforcement Officers had conducted facility audits on commercial carriers. The focus was on commercial carriers with threshold levels that exceed the designated intervention levels, who would potentially pose a greater risk to public safety.

- The Department of Government Services was committed to conducting follow-up facility audits on the four remaining school bus contractors that were identified in the 2008 report as soon as it is feasible to do so.

Entity's response to current request

In 2011, the Department informed us that the recommendation had not been implemented.

Furthermore, it indicated that *"The focus continues to be on commercial carriers with threshold levels that exceed designated intervention levels, who could potentially pose a greater risk to public safety. The Department remains committed to conducting follow-up audits on the four remaining school bus operators identified in our report as soon as it is feasible to do so."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to:

- Perform required follow-up facility audits on the four school bus contractors identified in the 2008 Annual Report; and

- Ensure there is a process in place to conduct future required follow-up facility audits.

School Bus Safety
(2008 Annual Report, Part 2.11; Update: 2010, Part 2.18)

PART 2.43

SERVICE NL

INSPECTION AND MONITORING OF RADIATION EQUIPMENT

(2009 ANNUAL REPORT, PART 2.6)

Inspection and Monitoring of Radiation Equipment (2009 Annual Report, Part 2.6)

Introduction

Our 2009 Annual Report included a review of the Inspection and Monitoring of Radiation Equipment at the former Department of Government Services (the Department) which as of 28 October 2011 is known as Service NL. We conducted our review to determine whether the *Radiation Health and Safety Act (Act)* and *Regulations* were being complied with in relation to the registration, installation, inspection and monitoring of radiation equipment.

What we found

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

The former Department of Government Services (the Department), through the Occupational Health and Safety Division (OHSD), has responsibilities related to the installation, registration, inspection and monitoring of radiation equipment in the Province under the *Radiation Health and Safety Act (Act)*. The objective is to protect the health and safety of persons, including operators, who are exposed to radiation from such equipment. As at 30 September 2009, there were 608 pieces of radiation equipment in the Province registered with OHSD.

Our review indicated a number of significant deficiencies in how the OHSD discharges its responsibilities related to radiation equipment and ensuring the health and safety of persons including operators. There was non-compliance with the *Act* relating to radiation equipment not being registered, installation not being approved in advance, biennial inspections not always performed and no Radiation Health and Safety Advisory Committee established. In addition, there was no information system relating to the registration of radiation equipment and the information system used to track inspections did not include all necessary information. We found the following:

Registration System

The OHSD did not have a registration system to track radiation equipment which was required to be registered. Instead, OHSD used a manual listing which we determined was neither accurate nor complete in that equipment which was no longer in service was on the listing and equipment in service was not on the listing. Of the 25 pieces of equipment selected for review, we identified 5 pieces that, although they had been removed from service, were still on the listing. We also identified equipment that, although it was inspected, could not be located on the registration listing.

Furthermore, the listing did not contain sufficient information necessary to monitor radiation equipment. For example, in the majority of instances it was difficult to identify a piece of equipment because, either the description of the equipment was incomplete, or the serial number was not recorded, or

information on both the location and owner was not always recorded. In addition, there was no information on the age of equipment, installation date and inspection dates.

As the registration system did not allow the OHSD to readily determine either what equipment was at a particular location or to track additions and disposals of equipment, the OHSD could not adequately plan and complete inspection work as required under the *Act*.

Installation and Registration of Radiation Equipment

We noted the following instances where the *Act* was contravened:

- The approval required from the Minister prior to the installation of radiation equipment was never obtained. Such approval would ensure that plans adequately accommodated the requirements of the equipment being installed. As a result of not obtaining prior Ministerial approval, OHSD officials indicated that there had been instances where radiation emission problems existed and expensive modifications had to be undertaken to address the issues.

- Radiation equipment was not being registered within 30 days of installation. Our review of 20 pieces of equipment indicated that 10 were not registered within 30 days of being installed. The time past the 30 days registration requirement ranged from 5 days to 14 months.

- Radiation equipment was not being re-registered every September. Our review of 20 pieces of equipment indicated that 2 owners had not reregistered their equipment two months after the required 30 September 2009 deadline, and 1 owner did not re-register their equipment until October 2009.

- Owners of radiation equipment where the equipment had been transferred or otherwise disposed of did not always notify the OHSD. Our review indicated that 5 pieces of equipment, while still on the OHSD registration listing, were not in service.

Inspection of Radiation Equipment

The OHSD did not have adequate processes and procedures in place to plan its inspection activities and, contrary to the *Act*, radiation equipment was not being inspected biennially.

- The OHSD did not use a formal risk-based approach in planning its inspection activity. Instead, the OHSD prioritized its inspection activities on the basis of new installations, complaints, transfers and stop work orders. There was no operational plan in place to ensure that all equipment was inspected every two years.

- Our review of 20 inspections selected from the Central Inspection System (CIS) indicated 8 instances where the previous inspection for that location had been completed more than two years prior to the current inspection. The time past the two years ranged from 41 days to 7 years.

- Our review of 20 pieces of equipment from the registration listing indicated that for 5 pieces of equipment the last inspection was greater than two years. The time past the two years ranged from 5 months to 2 years. For 13 pieces of equipment, although the location was visited, as a result of the lack of information in the CIS, OHSD officials could not demonstrate that this equipment was inspected. Furthermore, for 2 pieces of equipment, OHSD officials could not demonstrate whether the equipment had ever been inspected. In these instances, although it was known when the equipment was registered, the date the equipment was taken out of service was unknown.

- OHSD officials indicated that they do not inspect pan x-ray units at dental offices. They indicated that they do not perform these inspections because of fear of damaging their equipment, tests results are not reliable and also there are no specific regulations in the Health Canada codes for guidance. Given that there was no registration system, OHSD officials could not readily provide us with details as to how many pan x-ray units were in use in the Province.

The inspection summaries completed by the Radiation Protection Officers and used to populate the CIS did not always provide sufficient information to determine what pieces of equipment were inspected, the inspection process followed and the results. Therefore, it was not always possible to track what was inspected to what was registered in order to determine whether inspections were completed as required.

CT Scanners

In an article in the August 2009 edition of the Canadian Medical Association Journal, the President of the Canadian Association of Radiologists stated in relation to patients that *"…one abdominal CT scan is equal to 500 chest xrays (in terms of radiation dose)"*. It was also noted in the article that from a risk

standpoint, *"…between 1% and 2% of cancer cases may be caused by CT radiation exposure."* While patients are exposed to radiation during a CT scan, standards are in place to protect employees from possible radiation exposure. The inspections conducted by the OHSD are to ensure that radiation exposure to employees is within accepted standards. Even with this potential health and safety issue for persons, including operators, OHSD officials indicated that, contrary to the *Act*, other than during the initial installation of a CT scanner, they did not inspect CT scanners every two years. The Department of Health and Community Services indicated that during fiscal 2009 there were 71,372 CT scans conducted in the Province and 64,391 CT scans during fiscal 2008.

Radiation Health and Safety Committee

Contrary to the *Act*, the Minister of the former Department of Government Services (the Minister) had not established the Radiation Health and Safety Advisory Committee. Although there was a Committee up to 2004, albeit they had not met since 2002, since 2004 no members have been appointed. The Committee is to provide advice to the Minster on the *Act* and *Regulations*, promote educational programs to those who may be exposed to radiation and provide advice to Radiation Protection Officers.

Our review of Committee minutes up to 2002 indicated that they were addressing such matters as the quality of radiographic procedures performed in rural areas, the qualifications of persons operating radiation equipment and possible amendments to the *Act* and *Regulations*. As a result of not having a Committee in place since 2002, it was not clear whether similar issues today are being adequately addressed.

Policies and Procedures

There were no documented policies and procedures to guide Radiation Protection Officers in the installation approval, registration, inspection and monitoring of radiation equipment. In the absence of policies and procedures, Officers do not have guidance in the collection and recording of information, which increases the likelihood of inconsistencies. During our review, we identified inconsistencies including interchanging the company name and owner, and details captured in the inspection summary.

Documented policies and procedures are also important for any employee recruitment. This is particularly important given that the current two Officers are long-term employees.

Our follow-up

In March 2011, we contacted the former Department of Government Services requesting an update as to what progress had been made on the 15 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Occupational Health and Safety Division (OHSD) should comply with the registration requirements of the* Radiation Health and Safety Act *and* Regulations.

2. *The OHSD should ensure the registration system is accurate and complete.*

3. *The OHSD should ensure the registration system contains sufficient information to enable better management and monitoring of radiation equipment.*

4. *The OHSD should perform inspections in accordance with the requirements contained in the* Act.

5. *The OHSD should ensure the Central Inspection System (CIS) contains sufficient information to better manage and monitor radiation equipment.*

6. *The OHSD should have a formal risk assessment in place for inspecting and monitoring radiation equipment.*

7. *The OHSD should monitor compliance with the inspection and owner responsibility requirements of the* Radiation Health and Safety Act *and* Regulations.

8. *The OHSD should ensure all radiation equipment is approved before installation as required by the* Radiation Health and Safety Act.

9. *The OHSD should issue approval certificates to the owners who meet requirements.*

10. *The OHSD should have policies and procedures in place for completing inspections including the reports included in the CIS.*

11. *The OHSD should have policies and procedures in place for approving installations, registering and monitoring radiation equipment.*

12. *The OHSD should have policies and procedures in place for training new staff.*

13. *The OHSD should have policies and procedures in place for proper record keeping through the use of regular backups and secure storage of electronic information.*

14. *The OHSD should re-establish the Radiation Health and Safety Advisory Committee as required by the Radiation Health and Safety Act and Regulations.*

15. *The OHSD should monitor the reports from Health Canada on dosimeters readings for radiation exposure of workers.*

Information we requested

The former Department of Government Services was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plans and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the former Department of Government Services has made progress in addressing the recommendations from our 2009 Annual Report, three of the original 15 recommendations had only been partially implemented and four recommendations had not been implemented.

To fully implement the recommendations, Service NL will need to:

- ensure that inspections are performed in accordance with the *Act*;
- implement a formal risk assessment for inspecting and monitoring radiation equipment;
- fully monitor compliance with the inspection and owner responsibility requirements of the *Act* and *Regulations*;
- develop policies and procedures for installation approval, registration and monitoring of radiation equipment; and
- re-establish the Radiation Health and Safety Advisory Committee.

We agree with the Department's position that recommendation numbers 4, 7 and 11 have been partially implemented and that recommendation number 14 has not been implemented and, therefore, we will follow-up on these recommendations again next year.

We disagree with the Department's position that the recommendation number 6 has been partially implemented because the Department still continues their practice of an informal risk-based approach in planning its inspections. However, we maintain that a formal risk assessment should be in place for inspecting and monitoring radiation equipment. Therefore, we will follow-up on this recommendation again next year.

We agree with the Department's position that recommendation numbers 8 and 9 have not been implemented. However, the Department is of the opinion that although the *Act* requires prior approval of radiation equipment before installation, it is not within their mandate to provide this approval. Given the Department's position on these recommendations, further follow-up will be of no further benefit.

We agree with the Department's position that recommendation numbers 1, 2, 3, 5, 10, 12, 13 and 15 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Occupational Health and Safety Division (OHSD) should comply with the registration requirements of the Radiation Health and Safety Act *and* Regulations.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- the Occupational Health and Safety (OHS) Branch's work plan for 2010 included a review of the radiation program; and
- the OHS Branch would again communicate the importance of timely registration, re-registration and notification when radiation equipment is no longer in service, to its stakeholders and if protocols are not followed by the owner then the OHS Branch would take appropriate action to achieve compliance.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"In the past 12 months, registration requirements have been communicated to stakeholders and clients during inspections. It is also reiterated to those who are in non-compliance with annual registration that it is a legislated requirement for all radiation equipment in the province. The registration requirements are also noted during onsite visits within inspection texts which are given to the operator or owner of the radiation equipment.

The OHS Division has developed an electronic registration system to track all radiation equipment required to be registered. This helps ensure that all equipment is registered annually and that pertinent information is captured for monitoring and inspection purposes."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 2

The OHSD should ensure the registration system is accurate and complete.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- they recognize the importance of developing an electronic means to track and monitor radiation equipment;
- resources were to be allocated and timelines put in place to develop a more detailed and modern registration system; and
- the OHS Branch's goal was to have the electronic system operational by the second quarter of 2010.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A new electronic database has been developed to improve the registration and tracking system. This new database has several fields for the Radiation Protection Officers to input and track detailed equipment information including the location, make, model, registration and inspections. The database allows the officers to identify equipment at specific locations or to group specific types of equipment as required for monitoring. The updating of information for this system is ongoing by the Radiation Protection Officers."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The OHSD should ensure the registration system contains sufficient information to enable better management and monitoring of radiation equipment.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- it would develop an electronic system to facilitate the compilation of pertinent information on all registered radiation equipment in the Province. With a more detailed and modern system, the OHS Branch felt it would be able to maintain electronic records for all registered pieces of equipment;

- the development of the electronic database would provide the OHS Branch and the Radiation Protection Officers the opportunity to determine the specific information that should be captured for each piece of equipment such as registration numbers, registration dates, inspection dates and details; and

- resources had been allocated and timelines would be put in place to develop this database. The Branch's goal was to have the electronic system operational by the second quarter of 2010.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A new electronic database has been developed to enhance the registration system. This new database has several fields for the Radiation Protection Officers to input and track detailed information including location, make, model, registration and inspections. This new system allows the Radiation Protection Officers to review all relevant information on the radiation equipment prior to site visits and inspections. This ensures the officers are aware of all equipment registered for each location in order to determine if there are any inconsistencies between the database and the onsite equipment.

The Radiation Protection Officers are also including the most recent inspection date for each piece of equipment into the database on a go-forward basis. This assists the officers in planning their inspections."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 4

The OHSD should perform inspections in accordance with the requirements contained in the Act.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- the OHS Branch would be reviewing the requirement in the *Radiation Health and Safety Act* that radiation equipment be inspected biennially. The Department felt that with newer technology being utilized for radiation diagnostic equipment, the level of inspection frequency sited in the *Act* may not be necessary; and

- the OHS Branch had a workload measurement tool for all inspection personnel and would be reviewing the same to ensure inspection prioritizing and scheduling was optimized for program efficiency and effectiveness.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The Radiation Protection Officers are continually striving to meet the inspection requirements contained in the Act. It is not always possible nor is it deemed pertinent to inspect every piece of equipment biennially. The electronic registration database is improving the ability of the Officers to plan and schedule appropriate timelines to complete equipment inspections, however priorities can change with new installations, complaints, or other issues.

The OHS Division is planning a comprehensive review of the Radiation Inspection and Monitoring program. This review will examine whether changes may be required in the scheduling, prioritizing, and frequency of inspection as well as all associated legislative requirements."

Our conclusion

Follow-up Required

We agree with the former Department of Government Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to ensure all inspections are performed in accordance with the requirements contained in the *Act*.

Recommendation No. 5

The OHSD should ensure the Central Inspection System (CIS) contains sufficient information to better manage and monitor radiation equipment.

Inspection and Monitoring of Radiation Equipment (2009 Annual Report, Part 2.6)

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- the development of the electronic database would provide the OHS Branch and the Radiation Protection Officers the opportunity to determine the specific information that should be captured for each piece of equipment such as registration numbers, registration dates, inspection dates and details;
- resources had been allocated and time lines would be put in place to develop this database; and
- the Branch's goal was to have the electronic system operational by the second quarter of 2010.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Since receiving the recommendation from the Office of the Auditor General's 2009 report, the Radiation Protection Officers are adding more equipment identifying information into the CIS inspection reports. This includes noting the registration numbers so that the equipment can be linked directly to the electronic registration database. This ensures that the equipment inspected is the same as the equipment which is registered for each location. Some locations can have several pieces of equipment so it is essential for the officers to identify each piece of equipment within the inspection report to ensure consistency with the registration database.

Having a more comprehensive electronic database is also improving the ability to identify all existing radiation equipment at each inspection location as well as the previous inspection date."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

The OHSD should have a formal risk assessment in place for inspecting and monitoring radiation equipment.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that the OHS Branch did not use a formal risk-based approach in planning its inspections of radiation equipment, and instead used an informal risk management approach. The experienced Radiation Protection Officers prioritize their inspections on the basis of new installations, complaints, transfers and past problems or stop work orders.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The Radiation Protection Officers have continued their practice of an informal risk-based approach in planning its inspections. The Officers prioritize their inspections based on new installations, complaints, transfers and past problems. The new electronic database assists officers to easily identify last inspection date. The Division is currently drafting an operational plan which will implement scheduling and planning to ensure radiation equipment is inspected within an appropriate timeframe.

The OHS division is planning a comprehensive review of the Radiation Inspection and Monitoring program. This review will examine whether changes may be required in the scheduling, prioritizing, and frequency of inspection as well as all associated legislative requirements."

Our conclusion

Follow-up Required

We disagree with the former Department of Government Services' position that this recommendation has been partially implemented because the Department still continues their practice of an informal risk-based approach in planning its inspections. However, we maintain that a formal risk assessment should be in place for inspecting and monitoring radiation equipment. Therefore, we will follow-up on this recommendation again next year.

Recommendation No. 7

The OHSD should monitor compliance with the inspection and owner responsibility requirements of the Radiation Health and Safety Act *and* Regulations.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that the OHS Branch presently had a workload measurement tool for all inspection personnel and would be reviewing the same to ensure inspection prioritizing and scheduling is optimized for program efficiency and effectiveness.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The OHS Division performs inspections to monitor that radiation equipment owners adhere to the Radiation Health and Safety Act *and* Regulations. *A comprehensive review of the Radiation Inspection and Monitoring program is planned for 2011. This review will assess the current enforcement practices and determine whether changes are necessary to improve the efficiency and effectiveness of the radiation protection program. This review will also include a review of the statute and regulations."*

Our conclusion

Follow-up Required

We agree with the former Department of Government Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to fully monitor compliance with the inspection and owner responsibility requirements of the *Radiation Health and Safety Act* and *Regulations*.

Recommendation No. 8

The OHSD should ensure all radiation equipment is approved before installation as required by the Radiation Health and Safety Act.

Entity's response from previous report

In 2009, the former Department of Government Services did not specifically address this recommendation in its response to the 2009 Report.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had not been implemented.

Furthermore, it indicated that:

"Approval of radiation equipment before installation is not within the mandate of the provincial OHS Division. Radiation equipment is subject to approved processes through Health Canada for use in Canada. The owner is responsible to ensure that the equipment is used properly and safely on an ongoing basis. The OHS division monitors this by determining compliance through testing and measuring the function of the equipment, the radiation levels around the equipment and adjacent areas, the proper operation of equipment and the use of Personal Protective Equipment (PPE) and monitoring equipment by staff and patients.

Compliance can only be determined for a specific location after installation and only at the time of inspection. Changes to room design, equipment or adjacent room designs and function can affect compliance. The Division does offer advice on installation and encourages owners and architects to discuss, in detail, room layouts, measurements, and required shielding with the Division before installation.

The Division is planning a comprehensive review of the Radiation Monitoring and Protection program and potential revisions to the Act *and* Regulations *may be identified in this review."*

Our conclusion

Follow-up Not Required

We agree with the former Department of Government Services' position that this recommendation has not been implemented. However, the Department is of the opinion that although the *Act* requires prior approval of radiation equipment before installation, it is not within their mandate to provide this approval. Given the Department's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 9

The OHSD should issue approval certificates to the owners who meet requirements.

Entity's response from previous report

In 2009, the former Department of Government Services did not specifically address this recommendation in its response to the 2009 Report.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had not been implemented.

Furthermore, it indicated that:

"The OHS Division does not issue approval certificates, nor is it appropriate to do so. The plans or layouts for a new installation may appear to be within compliance; however inspections that include onsite measurement and testing of function, radiation levels and adequate shielding is the only way to assess compliance. Ongoing compliance can be affected by the function of adjacent rooms. Therefore changes to the function of an adjacent room may affect compliance for operation of the radiation equipment.

It is the responsibility of the owner to ensure that adequate measures are in place to protect workers and the public around radiation equipment. The onus is on the owner to not operate equipment without proper shielding and to inform the OHS Division of new equipment installations or changes to room layouts in existing radiation facilities. Radiation officers place these inspections high on their immediate priority lists, however the owner must ensure their staff are protected on a day to day basis.

The Division is planning a comprehensive review of the Radiation Monitoring and Protection program and potential revisions to the Act *and* Regulations *may be identified in this review."*

Our conclusion

Follow-up Not Required

We agree with the former Department of Government Services' position that this recommendation has not been implemented. However, the Department is of the opinion that although the *Act* requires prior approval of radiation equipment before installation, it is not within their mandate to provide this approval. Given the Department's position on this recommendation, further follow-up will be of no further benefit.

Recommendation No. 10

The OHSD should have policies and procedures in place for completing inspections including the reports included in the CIS.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- general policies and procedures for inspection and enforcement did exist. However, the Department recognized that documented policies and procedures had not been developed specific to the installation approval, registration, inspection and monitoring of radiation equipment;

- the OHS Branch were committed to succession planning and that resources had been allocated and timelines would be put in place to record the existing policies, practices and procedures for the Radiation Protection Officers; and

- the development of an electronic database of radiation equipment in the Province would further support the formalizing of inspection procedures and succession planning initiatives.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The OHS Division has developed detailed policies and procedures for the inspection of radiation equipment. These policies and procedures include inspection and monitoring of new installations, scatter radiation assessments, general x-ray equipment, dental x-ray equipment, and fluoroscopy equipment. The Division has also developed and implemented procedures on documenting inspection within the CIS to ensure adequate equipment and location information is included in these reports."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 11

The OHSD should have policies and procedures in place for approving installations, registering and monitoring radiation equipment.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- documented policies and procedures had not been developed specific to the installation approval, registration, inspection and monitoring of radiation equipment; and

- the OHS Branch were committed to succession planning and that resources had been allocated and time lines would be put in place to record the existing policies, practices and procedures for the Radiation Protection Officers.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"The OHS Division has developed detailed policies and procedures for the inspection of radiation equipment. These include the procedures for reviewing new installation plans and layouts. The requirements for approving installations will be assessed in a program review to begin in 2011."

Our conclusion

Follow-up Required

We agree with the former Department of Government Services' position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to have policies and procedures in place for the installation approval, registration and monitoring of radiation equipment.

Recommendation No. 12

The OHSD should have policies and procedures in place for training new staff.

Entity's response from previous report

In 2009, the former Department of Government Services did not specifically address this recommendation in its response to the 2009 Report.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The OHS Division has developed detailed policies and procedures which are now in place. The Division also has a detailed training and orientation program for all new staff. The OHS Division is committed to succession planning and we believe the new policies and procedures have enhanced our ability to train future staff recruited to the Radiation Inspection and Monitoring program."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 13

The OHSD should have policies and procedures in place for proper record keeping through the use of regular backups and secure storage of electronic information.

Entity's response from previous report

In 2009, the former Department of Government Services did not specifically address this recommendation in its response to the 2009 Report.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Radiation Protection Officers have been directed and are currently performing regular data backups of inspection tests and measurement results. The data is transferred from the officers' laptops to their networked storage drive. The networked storage drives are deemed secure by the provincial government and are accessible only to the officer and senior officials if required."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 14

The OHSD should re-establish the Radiation Health and Safety Advisory Committee as required by the Radiation Health and Safety Act *and* Regulations.

Entity's response from previous report

In 2009, the former Department of Government Services informed us that:

- the Minister had established an Occupational Health and Safety Advisory Council under the authority of the *Occupational Health and Safety Act*. The purpose of this Council is to address safety issues in all sectors of the Province, including radiation health and safety; and
- the necessity to maintain a separate Radiation Health and Safety Committee would be reconsidered in the Department's proposed review of the radiation program and the respective legislation.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had not been implemented.

Furthermore, it indicated that:

"The necessity of a Radiation Health and Safety Advisory Committee will be addressed in the Division's proposed review of the radiation program and the respective legislation."

Our conclusion

Follow-up Required

We agree with the former Department of Government Services' position that this recommendation has not been implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, Service NL will need to re-establish the Radiation Health and Safety Advisory Committee as required by the *Radiation Health and Safety Act* and *Regulations*.

Recommendation No. 15

The OHSD should monitor the reports from Health Canada on dosimeters readings for radiation exposure of workers.

Entity's response from previous report

In 2009, the former Department of Government Services did not specifically address this recommendation in its response to the 2009 Report.

Entity's response to current request

In 2011, the former Department of Government Services informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Radiation Protection Officers do currently receive and review dosimeter reports from Health Canada. The officers monitor these reports for trends or abnormal exposure levels. Health Canada reports all overexposures directly to the OHS Division."

Our conclusion

Follow-Up Not Required

We agree with the former Department of Government Services' position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.44

DEPARTMENT OF TOURISM, CULTURE AND RECREATION

RECREATION GRANTS

**(2006 ANNUAL REPORT, PART 2.15;
UPDATES: 2009, PART 2.28; 2010, PART 2.34)**

Recreation Grants
(2006 Annual Report, Part 2.15; Updates: 2009, Part 2.28; 2010, Part 2.34)

Introduction

Our 2006 Annual Report included a review of Recreation Grants at the Department of Tourism, Culture, and Recreation (the Department). We conducted our review to determine whether the Department adequately and consistently evaluates grant applications; awards grants in accordance with program guidelines; and monitors the effectiveness of the programs.

What we found

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

- Our review indicated 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 our 2010 Update Report we concluded that one of the original four recommendations resulting from our review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the one recommendation as of 31 March 2011. The recommendation is as follows:

1. The Department should establish measurable targets for the recreation grant programs and report on activities in relation to these targets.

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Recreation Grants
(2006 Annual Report, Part 2.15; Updates: 2009, Part 2.28; 2010, Part 2.34)

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2006 Annual Report, one of the original four recommendations had only been partially implemented.

We agree with the Department's position that the recommendation number 1 has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with the recommendation and, based on action taken to date by the Department, we are reasonably satisfied that the issue has been adequately addressed.

Recommendation No. 1

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

In 2010, the Department informed us that:

- targets/outcomes and a process to monitor achievement of intended outcomes process had been drafted and would be implemented once confirmation is obtained by Department executive;
- stated program outcomes and the process for monitoring these outcomes would be incorporated into the 2010/11 grant program and application; and
- the proposed monitoring mechanism was to have communities complete an evaluation form that results in communities reporting back on the level of implementation of activities, the initiatives undertaken, and the programs and supports that were identified in the application. Communities would not be eligible for the following year's funding unless the monitoring/evaluation form was received by the Department.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"In consultation with the Provincial Government Programs Office (PGPO), the Department of TCR is pleased to advise the Auditor General that the Department has partially implemented the above recommendation and is making every effort to work toward full compliance with respect to the following grant programs:*

1. *Community Recreation Development Grants (CRDG)*

2. *Seniors Grants (with the Department of Health and Community Services)*

3. *Capital Grants (Capital Grants and Minor Project Capital Grants)*

4. *After School Physical Activity Program (ASPAP) (with the Departments of Education and Health and Community Services) (new program)*

5. *Regional Recreation Directors (with Recreation NL).*

Current Status/Future Plans

The Department of TCR has developed targets/outcomes and a process to monitor achievement of intended outcomes process that were approved by the Executive and implemented on a pilot basis for the Community Recreation Development Grants Program (CRDGP) in 2010-11. Based on this pilot, a similar model is being implemented for the Seniors Grant Program in 2011-12. The Department is developing targets/outcomes and a monitoring process for the Capital Grants Program and the new After School Physical Activity Program, and implementation is planned for 2011-12.

The monitoring mechanism selected for the CRDG Program and the Seniors Grant Program is an evaluation form that reports on the level of implementation of activities, the initiatives undertaken and the programs and supports as identified in the application. The results of the CRDG reports for 2010-11 are being compiled and analyzed as part of ongoing program review.

Following the completion of development of the evaluation framework and evaluation plan for the ASPAP by June 30, 2011, the selected process to monitor achievement against intended outcomes will be implemented over the two years of this new pilot program. The Capital Grants Program has a revamped application and the requirement for a Final/Summary Report communicated to all grant applicants. This summary report will ensure that all program grant funds have been expended in an accountable manner on the projects as submitted and approved.

The Regional Recreation Directors program was initiated in 2008-09 and evaluated by an external consultant in 2010. The Management Committee of the Regional Recreation Directors Program is working with the Department of TCR to determine next steps regarding the Evaluation Report and to continue further program development for 2011-12."

Our conclusion

Follow-up Not Required

We agree with the Department's position that this recommendation has been partially implemented; however, we will not follow-up on this recommendation again next year as the Department agrees with our recommendation and has made significant progress in implementing a process for monitoring achievement of intended outcomes.

PART 2.45

DEPARTMENT OF TOURISM, CULTURE AND RECREATION

ST. JOHN'S ARTS AND CULTURE CENTRE

(2009 ANNUAL REPORT, PART 2.14)

St. John's Arts and Culture Centre
(2009 Annual Report, Part 2.14)

Introduction

Our 2009 Annual Report included a review of the St. John's Arts and Culture Centre (St. John's ACC) at the Department of Tourism, Culture and Recreation. We conducted our review to determine whether adequate financial controls and reporting systems were in place at the St. John's ACC to manage its financial affairs.

What we found

As a result of our 2009 review, we reached the following overall conclusions:

The St. John's ACC is the largest of six such centres in the Province. The centres operate as a division of the Department of Tourism, Culture and Recreation (the Department). Costs relating to the operation of the centres are recorded as expenditures of the Department with costs related to heating, lighting, snow clearing and most major repairs recorded as expenditures of the Department of Transportation and Works.

The St. John's ACC acts as head office for the other five centres which are located at Gander, Grand Falls-Windsor, Corner Brook, Stephenville and Labrador West.

While overall management responsibility for day-to-day operations of all the centres rests with the Director located at the St. John's ACC, each of the other centres has a manager, box office staff, technical and other theatre and clerical staff. All of the centres utilize the same ticketing system and the only accounting department is located at the St. John's ACC. The St. John's ACC Manager of Programming and Promotion, in consultation with the other centre managers, arranges and contracts all of the touring performances.

In total, the centres have 22 full-time and 254 part-time staff and a seating capacity of 3,212.

Our review of the St. John's ACC identified issues with respect to how the finances of the centres are managed, a lack of internal controls, issues with payroll and a lack of written policies and procedures. In addition, there were instances of non-compliance with the Department's complimentary ticket policy and inadequate monitoring of complimentary tickets issued. We identified the following:

Two Separate Accounting Systems

The St. John's ACC uses Government's Financial Management System (FMS) to process its revenues and operating expenses such as salaries and purchased services. The St. John's ACC also has its own bank account and uses its own computerized accounting system to process performance-related revenues and expenditures such as payments to performers. There are a number of issues relating to this arrangement:

- The two systems are not integrated and as a result, complete information required to properly manage and monitor each of the centres is not readily available.

- While the cheque to reimburse the St. John's ACC's own bank account is processed through the FMS, the details related to the expenditures are not captured in the FMS

- Although the FMS has the capability to record transactions by centres, this capability is not being fully utilized. As a result of not having adequate information by centre, it is difficult to adequately monitor and control operations.

- The St. John's ACC's control related to payments from its own bank account does not provide the same level of control inherent in the FMS (e.g. expenditure verification and approval).

Lack of Internal Control

Although there are at least four staff at the St. John's ACC who could be involved in the control of revenues and the acquisition, approval and processing of expenditures, they have not been assigned specific tasks that would result in an adequate segregation of duties. We identified the following issues regarding the lack of internal controls:

Revenues

- There is a lack of segregation of duties with regard to box office supervisors who are responsible for approving the total cash for the box office and who also process day-to-day cash transactions.

- There is a lack of segregation of duties over miscellaneous revenues relating to merchandise sales commissions and coat check revenues. Furthermore, although pre-numbered receipts were introduced during 2006, the numbers are not being accounted for.

Expenditures

- Controls over the St. John's ACC's own bank account are not adequate in that one person, who co-signs many (15 in our sample of 30) cheques, is responsible for preparing documents for payment, recording the transaction and reconciling the bank account.

  Effective 1 January 2009, the St. John's ACC ceased using its bank account as instructed by the Department. However, as a result of difficulties in paying performers on a timely basis using Government's FMS, in May 2009, the Department authorized the St. John's ACC to resume using its own bank account. Although the bank account was again being used, the St. John's ACC had taken no action to improve the lack of controls that previously existed.

- Although there is a purchase verification stamp, it is not always fully completed to evidence the procedures followed in reviewing and approving payments.

- The Director does not obtain and review supporting documentation when approving the summary request for reimbursement for their bank account. During the 2009 fiscal year, approximately $1.96 million flowed through this account.

Complimentary Tickets

The guidance and authority for the approval and issuance of complimentary tickets is included in a policy document from the Department dated 1995. This document addresses complimentary tickets issued in relation to centre produced performances and a "2% of capacity" (i.e. approximately 20 seats in the St. John's ACC) complimentary tickets provided for in rental contracts with clients. St. John's ACC officials estimate that the rental contracts make up in excess of 90% of performances.

Departmental policy provides that complimentary tickets can be provided to departmental officials, VIPs and special dignitaries, the media and corporate sponsors. The policy also provides that complimentary tickets may be issued in a "…j*udicious manner in order to make small audiences more respectable in size ... ".* The number of complimentary tickets issued by the centre is noted on the final settlement document with the performer in determining the final payment under the rental contract. The respective managers of each centre outside St. John's and the Director of Arts and Culture Centres are designated to authorize all complimentary tickets and these approvals are to be documented through the use of Complimentary Ticket Vouchers (CTVs).

We found the following:

- St. John's ACC officials could not demonstrate who used individual complimentary tickets and therefore whether the tickets were used for appropriate purposes.

- St. John's ACC employees receive complimentary tickets; however, employees are not specifically identified in the policy.

- Although the voucher requesting a complimentary ticket is part of the daily box office reconciliation, the vouchers are not filed so that they can be easily located.

- There are no statistics kept for management review and monitoring of the numbers of complimentary tickets issued. Also, the cost of the use of complimentary tickets is not recorded in the accounting records.

- Contrary to Departmental policy, the Director has delegated authority to approve complimentary tickets to the Manager of Programming and Promotion in certain cases.

- Although complimentary ticket vouchers are to be approved by the Director prior to the box office issuing the tickets, we found instances where the approval was not provided until the tickets had been issued.

Payroll Issues

At 31 March 2009, the centres had recorded accrued time-off-in-lieu (TOIL) totalling approximately $426,000. The increase in TOIL from 2008 to 2009 totalled $89,822 or 27%. Ten employees accounted for $400,675 or 94% of the total TOIL in 2009, an increase of $98,913 or 33% from 2008. At 31 March 2009, one employee at the Stephenville ACC had TOIL of $163,370 or 38% of the total 2009 TOIL. Given the extent of overtime at the centres, we would expect strong controls to be in place over recording and approving overtime. We identified the following issues with regard to how overtime is recorded and approved:

- We found errors in overtime recorded in 7 of 10 employees selected for review.

- The Director does not obtain and review timesheets when approving reimbursement for overtime worked.

- None of the centres use an electronic time clock to improve the accuracy of recording hours worked.

Furthermore, the Director does not always review and approve bi-weekly payroll documents. Our review of 26 payrolls indicated that 13 Part-Time Payroll Detail Sheets for backstage part-time staff, 9 Bi-Weekly Work Registers for backstage full-time staff and 2 Part-Time Payroll Detail Sheets for ushers had no evidence that they were either reviewed or approved.

Policies and Procedures

The St. John's ACC has undertaken very little work to develop policies and procedures to guide staff in day-to-day operations. For example, although the St. John's ACC maintains a separate bank account and accounting system, there are no written policies and procedures for staff. Without adequate policies and procedures, the likelihood of issues with regards to such things as lack of internal controls and inadequate segregation of duties increases significantly.

Our follow-up

In March 2011, we contacted the Department of Tourism, Culture and Recreation requesting an update as to what progress had been made on the 12 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should provide dedicated professional accounting resources to evaluate the existing accounting systems and guide the development of an integrated accounting system with appropriate financial reports by centre.*

2. *The Department should provide the direction, expertise and resources required to develop and document policies and procedures to guide the operations at the centres.*

3. *The Department should assist ACC management or provide professional resources to evaluate existing internal controls and make recommendations for improvements.*

4. *The Department should assist ACC officials in evaluating where the system went wrong as it relates to unrecorded funds with a view to ensuring adequate controls are in place.*

5. *The Department should ensure that all cheques issued from the St. John's ACC's own bank account are properly supported, reviewed and approved.*

6. *The Department should evaluate the time-off-in-lieu (TOIL) reporting process at the St. John's ACC and ensure that employee balances are accurate.*

7. *The Department should ensure that all payroll input documents are supported by timesheets that have been approved by management.*

8. *The Department should ensure that all payroll input documents are reviewed and approved by management.*

9. *The Department should consider electronic time clocks to record attendance for the many part-time employees and to document the significant overtime hours.*

10. *The Department should ensure that complimentary ticket policy is adhered to.*

11. *The Department should develop systems to improve monitoring of the issuance of complimentary tickets.*

12. *The Department should improve systems for filing documentation supporting the issuance of complimentary tickets.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plans and other relevant comments to demonstrate the level of implementation indicated.

St. John's Arts and Culture Centre
(2009 Annual Report, Part 2.14)

Overall conclusion

While the Department of Tourism, Culture and Recreation has made progress in addressing the recommendations from our 2009 Annual Report, three of the original 12 recommendations had only been partially implemented.

To fully implement the recommendations, the Department will need to:

- continue the evaluation of the financial operations and related controls at the Arts and Culture Centres to make further improvements to its accounting and reporting systems;
- complete the development of policies and procedures covering the operations of the Arts and Culture Centres; and
- complete the evaluation of internal controls over cash management including documenting related policies and procedures.

We agree with the Department's position that recommendation numbers 1, 2 and 3 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department's position that recommendation numbers 4, 5, 6, 7, 8, 9, 10, 11 and 12 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should provide dedicated professional accounting resources to evaluate the existing accounting systems and guide the development of an integrated accounting system with appropriate financial reports by centre.

Entity's response from previous report

In 2009, the Department informed us that it would "*evaluate the current process to determine an appropriate course of action which will mitigate concerns and also meet the expectations of the clients of the Arts and Culture Centre (ACC)"*

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"During this past fiscal year, a former Director of Finance, employed with the Department was assigned to review the applicable ACC processes.

The ACC accounting system is relevant only for a segment of its activity –The Arts and Culture Centres' bank account is used for the reimbursement of third-party clients and fees to artists to minimize delays in payments and facilitate prompt payments to these clients. This bank account is not intended for use by the ACC to make operational purchases. Operational purchases are processed in accordance with Government's new corporate services model.

The details of the payments to clients through the ACC bank account are not captured in Government's Financial Management System. Replenishment of the bank account balance is submitted to the Department of Finance through Government's new corporate services model for payments. The submissions for replenishment include documentation supporting the respective individual payments to each client. While the details included in this submission are not keyed to Government's Financial Management System, they are kept by the Department of Finance as supporting documentation.

The ACC has implemented a process that allows for the tracking of third-party client activity in each regional Centre. Currently the Government's Financial Management System and the related accounting distributions provides for the tracking expenditures through the use of Responsibility Centres (RC). Each regional centre is assigned a unique RC code which enables reporting of expenditures for each regional centre.

The Department is continuing its review of the financial operations and related controls within the ACC to determine further actions as necessary."

Our conclusion

Follow-up Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to continue the evaluation of the financial operations and related controls at the Arts and Culture Centres to make further improvements to its accounting and reporting systems.

Recommendation No. 2

The Department should provide the direction, expertise and resources required to develop and document policies and procedures to guide the operations at the centres.

Entity's response from previous report

In 2009, the Department informed us that it "*concurs with the recommendation of the Auditor General on the need for written policies and procedures and will undertake policy development and implementation*".

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"During this past fiscal year, a former Director of Finance, employed with the Department was assigned to review the applicable ACC processes and worked in consultation with the Director for the ACC to draft policies and procedures related to:

- *Financial accounting, reporting and monitoring*
- *Revenues and cash receipts*
- *Purchasing and Payments*
- *Salaries and Wages*
- *Complimentary Tickets*

These policies and procedures are still being developed. Once completed and documented, they will be provided to the Department for review and approval."

Our conclusion

Follow-up Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete the development of policies and procedures covering the operations of the Arts and Culture Centres.

Recommendation No. 3

The Department should assist ACC management or provide professional resources to evaluate existing internal controls and make recommendations for improvements.

Entity's response from previous report

In 2009, the Department informed us that it *"will work with the ACC to provide the necessary expertise to evaluate internal controls with the view to providing recommendations for improvement"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Cash Management Policy and Procedures have been developed and are being followed by staff. This includes an added layer of monitoring for the numbered books that document the receipt of miscellaneous cash. Documentation of these policies and procedures is not fully completed. Upon final approval by TCR, they will become the official policies and procedures for these activities and placed in a policy manual for the ACCs."

Our conclusion

Follow-up Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to complete the evaluation of internal controls over cash management including documenting related policies and procedures.

Recommendation No. 4

The Department should assist ACC officials in evaluating where the system went wrong as it relates to unrecorded funds with a view to ensuring adequate controls are in place.

Entity's response from previous report

In 2009, the Department informed us that it *"will assist ACC to determine the deficiencies in controls during the period 2000 to 2005 and to ensure adequate procedures are in place for the future"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Concerning the unrecorded revenue, it has been determined that the system went wrong because there was no documentation maintained before 2006 to ensure revenue from the coat check and merchandise sales was accurately receipted in the cash log worksheet. Appropriate documentation is now maintained."

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Department should ensure that all cheques issued from the St. John's ACC's own bank account are properly supported, reviewed and approved.

Entity's response from previous report

In 2009, the Department informed us that it *"will ensure that cheques issued are properly supported, reviewed and approved*".

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"All client statements and cheque generation processed through the ACC's bank account are based on signed contracts that consolidate all required information. Client statements are prepared by the Accountant who obtains information from various sources, namely Box Office statements, usher and technical charges, and other expenses based on signed contracts. These statements are typed by the Secretary, rechecked for accuracy and approved by the Accountant, and forwarded to the Accounting Clerk for keying into the AS400 System utilizing the steps outlined in the system document. Cheques are issued when signed by the Director or Program Manager who reviews the attached supporting documentation."

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

The Department should evaluate the time-off-in-lieu (TOIL) reporting process at the St. John's ACC and ensure that employee balances are accurate.

Entity's response from previous report

In 2009, the Department agreed *"to evaluate the TOIL process to ensure employee balances are accurate"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The TOIL reporting process has been reviewed to ensure all employee balances are accurate. The issues arose from human mathematical errors and transfer of data. Meetings were held between the ADM and Director and steps have been taken to ensure an accurate time-off-in-lieu (TOIL) reporting process.

- *Appropriate documentation is now utilized to ensure all TOIL is approved in advance by management.*
- *The Department has added another level of review to ensure continued accuracy.*
- *All payroll input documents are reviewed and approved by management."*

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

The Department should ensure that all payroll input documents are supported by timesheets that have been approved by management.

Entity's response from previous report

In 2009, the Department agreed to *"to ensure payroll input documents are supported by timesheets and that timesheets and payroll input documents are reviewed and approved by management"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"All payroll input documents are supported by timesheets that have been approved by management."

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 8

The Department should ensure that all payroll input documents are reviewed and approved by management.

Entity's response from previous report

In 2009, the Department agreed *"to ensure payroll input documents are supported by timesheets and that timesheets and payroll input documents are reviewed and approved by management"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"All payroll input documents are reviewed and approved by management."

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should consider electronic time clocks to record attendance for the many part-time employees and to document the significant overtime hours.

Entity's response from previous report

In 2009, the Department informed us that it would "*investigate the feasibility and practical implications of the implementation of a time clock system*".

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Department has investigated the feasibility and considered the practical implications of utilizing a time clock at the ACC, however, at this time it does not appear to be a suitable option. The Department's existing measures record the hours of work and overtime accumulation. TCR is confident that these improved procedures will ensure accurate recording and monitoring of attendance and overtime accumulation."

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 10

The Department should ensure that complimentary ticket policy is adhered to.

Entity's response from previous report

In 2009, the Department indicated that in the case of third-party client rentals, the ACC does not interfere in the number of complimentary tickets or how the third-party clients distribute them. Where the ACC receives 2% of tickets from client productions or it is an ACC sponsored production, the Department indicated that the current policy for issuing complimentary tickets *"serves the needs of the ACCs and its clients and are subject to effective guidelines and controls"*. The Department also indicated that it *"recognizes that existing written policy is outdated and amendments will be made to reflect changed levels of activity by the Centres"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

- *"ACC's Director has revised the policy to accurately reflect current requirements and procedures.*
- *The revised policy will be adhered to."*

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 11

The Department should develop systems to improve monitoring of the issuance of complimentary tickets.

Entity's response from previous report

In 2009, the Department informed us that it would *"develop systems to improve monitoring of the issuance of complimentary tickets"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

- *"ACC's Director has revised the policy to accurately reflect current requirements and procedures.*
- *The revised policy will be adhered to."*

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 12

The Department should improve systems for filing documentation supporting the issuance of complimentary tickets.

Entity's response from previous report

In 2009, the Department informed us that it *"will ensure that the system for the filing of documentation for tickets distributed will be improved"*.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A review of the current system has concluded that the procedure of filing copies of complimentary tickets vouchers by the date of issuance and also by the date of the show is more than adequate and will be followed."

Our conclusion

Follow-Up Not Required

We agree with the Department of Tourism, Culture and Recreation's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

PART 2.46

DEPARTMENT OF TRANSPORTATION AND WORKS

EQUIPMENT MAINTENANCE PROGRAM

**(2007 ANNUAL REPORT, PART 2.18;
UPDATE: 2009, PART 2.29; 2010, PART 2.35)**

Equipment Maintenance Program
(2007 Annual Report, Part 2.18; Update: 2009, Part 2.29; 2010, Part 2.35)

Introduction

Our 2007 Annual Report included a review of Equipment Maintenance Program at the Department of Transportation and Works (the Department). We conducted our review 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:

Our review indicated that there were significant weaknesses in the Department's equipment maintenance program for heavy equipment.

- Despite recent increased investment in heavy equipment, primarily snowclearing 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.
  - Of the 284 pieces of other heavy equipment 90 or 32% were 20 years old and greater.
- There was 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 was 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 were not currently past the age identified for replacement.

- 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 have been 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 loaders to match the number of loaders available from the eventual supplier.

- 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 had led to reductions in repair costs or down-time.

  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 was limited. The system was not operating as intended and as a result, management lacked the information required to effectively management the Province's heavy equipment fleet.

Our follow-up

In our 2010 Update Report we concluded that one of the original four recommendations resulting from our 2007 review had not been fully implemented.

In March 2011, we contacted the Department requesting an update as to what progress had been made on the recommendation as of 31 March 2011. The recommendation is as follows:

1. The Department should perform a review of the EMS and/or consider alternate systems with a view to addressing current system deficiencies.

Equipment Maintenance Program
(2007 Annual Report, Part 2.18; Update: 2009, Part 2.29; 2010, Part 2.35)

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2007 Annual Report, one of the original four recommendations had only been partially implemented.

We agree with the Department's position that the recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement the recommendation, the Department will need to correct deficiencies identified in the EMS. Two main areas which the Department is currently addressing are fuel consumption reports and parts costing reports.

Recommendation No. 1

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

In 2010, the Department informed us that:

- It was working on the existing EMS system to ensure that the correct information was captured, recorded and available to staff. This would allow correct decisions to be made regarding replacement of equipment; and

- The majority of the reporting functions had been restored and the majority of information related to the equipment usage was being recorded.

Equipment Maintenance Program
(2007 Annual Report, Part 2.18; Update: 2009, Part 2.29; 2010, Part 2.35)

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that *"Discussions with the Office of the Chief Information Officer have been successful in getting a commitment to finalize the solution by September 30, 2011.*

The two main points to be resolved are:

i. Fuel Consumption Reports

This information is being recorded and retained but is not yet transferred to the Equipment Maintenance System (EMS).

ii. Parts Costing Reports

This information is being recorded within the Oracle System. The issue is with the transfer of information from the Inventory Module of Oracle to the EMS."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to correct deficiencies identified in the EMS. Two main areas which the Department is currently addressing are fuel consumption reports and parts costing reports.

PART 2.47

DEPARTMENT OF TRANSPORTATION AND WORKS

FERRY SERVICES

(2009 ANNUAL REPORT, PART 2.15)

Ferry Services
(2009 Annual Report, Part 2.15)

Introduction

Our 2009 Annual Report included a review of Ferry Services at the Department of Transportation and Works (the Department). We conducted our review to determine whether management practices and controls relating to ferry services at the Department were adequate. Our review focused on vessel replacement, contracted ferry service operations and purchasing compliance with legislation.

What we found

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

The Department, through its Marine Transportation Services Branch (Branch) is responsible for the provision, maintenance and management of 16 Provincial ferry services for marine operations throughout the Province. The Department uses 18 vessels - 10 Government-owned (8 Government operated and 2 contractor operated) and 8 contractor-owned and operated – in the provision of these 16 routes. Three of the 18 vessels are designated as swing vessels which are used as back-up as circumstances require. Thirteen of these vessels service the Island portion of the Province while the remaining 5 vessels service Labrador.

We identified significant weaknesses in the planning and monitoring of Government's ferry services. In particular, we identified that there was no comprehensive long-term plan for ferry services, aging vessels were currently in use, contractor-owned vessels were not inspected by the Department, owner-operator contracts were not adequately monitored, operating costs were increasing and there were instances of non-compliance with the *Public Tender Act* and the *Financial Administration Act*. Details are as follows:

Aging Vessels

The average age of the 18 vessels was 34 years. The average age of the 10 Government-owned vessels was 30 years, while the average age of the 8 contracted vessels was 39 years. A consultant hired by Government concluded that vessels more than 25 to 30 years of age are typically unreliable and expensive to maintain. At 31 March 2009, 12 of the 18 (67%) vessels in service throughout the Province were older than 30 years. Of these 12 vessels, 5 were Government-owned while 7 were contractor-owned.

Increasing Costs

While the cost of purchased services (e.g. contract costs) and supplies (e.g. fuel) relating to contractor-owned vessels had increased by 7% from $15.8 million in 2007 to $16.9 million in 2009, the cost of purchased services (e.g. maintenance and vessel refit) and supplies (e.g. fuel) relating to Government-owned vessels had increased by 43% during the same period. In 2007, costs relating to Government-owned vessels totalled $15.8 million and increased by $6.8 million to $22.6 million in 2009.

Planning

Island Portion of the Province

Although Department officials indicated that strategy alternatives had been presented to Cabinet, they did not provide evidence of a long-term comprehensive plan for ferry services which would include an analysis and conclusion as to which model (i.e. Government-owned and/or contractor-owned) would be most suitable for each ferry route in the Province and program cost information for whichever model was to be selected. Given the significant cost of ferry operations in the Province, this is important for developing future budgets.

The Department also did not provide evidence that it has undertaken the analysis as directed by Cabinet in 2006 *"…to undertake a thorough analysis of both private and public sector operation models, and report back to Cabinet for further direction."* Although submissions were received and public consultations were held, the Department did not provide evidence of analysis of the results of this information in order to determine whether the private sector contractor model and/or whether the Government-owned and operated model was preferred.

As a result, the Department could not demonstrate why it called tenders in April 2009 for owner-operator contractors to operate all five ferry services on the South Coast for a 10 year period with an option to renew for five additional years. We identified that:

- although the Department gathered information on traffic patterns, it only used this information to determine vessel size and has not used the information to forecast future ferry service requirements.

- the Department had not performed any cost-benefit analysis for either individual ferry service routes or to support which ferry service model would be most appropriate.

- the Department indicated that it chose to re-tender the existing private sector services because it was what the public preferred. Our review of documentation on file indicated that the public were also of the view that there should be changes to the existing services such as to include vehicle capacity and schedule changes. These changes were not included in the tender document.

Labrador

In 2005, Government committed to developing a plan for ferry operations for Labrador. In April 2007, the Northern Strategic Plan was released and covered the five fiscal years from 2008 to 2012. One of the objectives of this plan was "*…to evaluate options for the provision of two new ferries for the Labrador Straits ferry route, that would provide year-round service, pending ice conditions."*

The Department did not provide evidence of an evaluation of the options for the replacement of two vessels for Labrador. Such an evaluation is particularly important given the age of the vessels and the sea conditions in which they operate. The *M/V Apollo*, currently contracted with an owner-operator, runs on the Labrador Straits ferry route and is 39 years old, well beyond what the consultants considered to be reliable.

There was no Departmental plan to consider any of the ferry services in Labrador. Such a plan is particularly important given the age of the vessels, the sea conditions in which they operate, the potential for increased passenger traffic given the new Trans-Labrador Highway, and increasing costs associated with some of the runs. For example, we found that costs relating to operating the *M/V Sir Robert Bond* went from $4.9 million in 2007 to $8.4 million in 2009, an increase of $3.5 million or 70%. The two Government-owned vessels operating in Labrador experienced the highest increase in costs from 2007 to 2009 of all the Government-owned vessels.

It was noted that the average age of the five vessels operating in Labrador was quite high at 31 years old. The two Government-owned vessels were aged 34 and 23 years old, while the three contractor-owned vessels were aged 39, 38 and 23 years old.

In April 2009, the Department called tenders for a contractor-owned vessel to operate a ferry service in Labrador for a 10 year period with an option to renew for five additional years. However, there was no information on file to show that all options had been considered and that the contractor-owned vessel was the optimal arrangement.

Contract Management

We identified issues with how the Department monitored owner-operator contracts. In particular:

- regular physical inspections of vessels were not performed to determine whether the vessels were in compliance with the requirements of the contract; and

- regular audits of contractors' financial records were not performed.

Furthermore, we identified that:

- Transport Canada inspects all vessels annually; however, the Department's consultant indicated that *"Transport Canada considers compliance with its regulations and standards to be necessary but not sufficient to provide for safe operation."* Operators should develop safety standards in addition to that of Transport Canada.

  However, the Department did not perform any inspections to determine whether safety standards beyond the standards set by Transport Canada had been developed to decrease the risk of having unsafe vessels in operation. Contracts did not include a provision to allow the Department to conduct safety inspections.

  Furthermore, safety management standards, similar to standards developed by the Department in 2009-10, for Government-owned vessels, were not developed for contracted vessels.

- a risk management plan had not been developed to address the potential areas of non-compliance; and

- policies and procedures to guide Departmental officials in conducting compliance and monitoring work were not developed.

Compliance with Legislation

Public Tender Act

The Department contravened the *Public Tender Act* by entering into two separate contracts totalling approximately $2.8 million without calling public tenders. The contracts related to the advance ordering of a propulsion system for a third vessel (Cabinet had approved the design and construction of two other vessels in September 2006). Circumstances around these contraventions were as follows:

- on 13 August 2008, the Department entered into a contract for the purchase of equipment including 2 stern thrusters and 2 propellers. The total cost of the contract was $1,605,500.

- on 6 October 2008, the Department entered into a contract for the purchase of main machinery including 2 engines, 2 generators and a bow thruster. The total cost of the contract was $1,227,717.

In both instances a "Form B" was filed with the Government Purchasing Agency indicating the construction of the vessel was exempt from provisions of a public tender call for economic development purposes as approved by Cabinet. However, our review indicated that Cabinet did not provide authority for exemption from a public tender call for economic development purposes. Cabinet approval for exemption was only provided for the initial two vessels.

Financial Administration Act

The Department contravened the *Financial Administration Act* when, in 11 instances totaling approximately $1,082,000, it ordered goods and services without encumbering funds. Contrary to sound financial management practices, purchase orders were prepared after the date of the related invoices.

Our follow-up

In March 2011, we contacted the Department requesting an update as to what progress had been made on the 12 recommendations as of 31 March 2011. The recommendations are as follows:

1. *The Department should ensure that a comprehensive vessel replacement plan is developed and in effect.*

2. *The Department should ensure that traffic reports on traffic levels are used in developing long range traffic forecasts necessary for vessel replacement planning.*

3. *The Department should ensure that cost-benefit analysis, funding needs, Government priorities and risks for all vessel replacement be identified and included in vessel replacement planning.*

4. *The Department should ensure that a risk management plan is developed to address the potential areas of compliance vulnerability and risk for private service contracts.*

5. *The Department should ensure that regular inspections of the privately-contracted vessels are performed to ensure that the contractor's work is in compliance with the terms of the contract.*

6. *The Department should ensure that private service contracts include a provision to allow the Department to conduct safety inspections.*

7. *The Department should ensure that safety management standards are developed for all contracted vessels and provision for monitoring compliance included in contracts.*

8. *The Department should ensure that regular audits of private service contractors are performed.*

9. *The Department should ensure that it complies with contract renewal requirements as defined in the respective agreements.*

10. *The Department should ensure that policies and procedures relating to contract compliance and monitoring of contractors operating privately-owned vessels are developed.*

11. *The Department should ensure that it complies with the* Public Tender Act *and the* Financial Administration Act.

12. *The Department should ensure that all position descriptions for the Marine Transportation Services Branch are developed and updated, where applicable.*

Information we requested

The Department was asked to advise whether all recommendations had been:

1. fully implemented;
2. not implemented; or
3. partially implemented.

We requested details including an explanation outlining the status as of 31 March 2011, future action plan(s) and other relevant comments to demonstrate the level of implementation indicated.

Overall conclusion

While the Department has made progress in addressing the recommendations from our 2009 Annual Report, 3 of the original 12 recommendations had only been partially implemented.

To fully implement the recommendations, the Department will need to:

- ensure that a comprehensive vessel replacement plan is developed and in effect;
- ensure that cost-benefit analysis, funding needs, Government priorities and risks for all vessel replacement be identified and included in vessel replacement planning; and
- ensure that all position descriptions for the Marine Transportation Services Branch are developed and updated, where applicable.

We agree with the Department's position that the recommendation numbers 1, 3 and 12 have been partially implemented and, therefore, we will follow-up on these recommendations again next year.

We agree with the Department's position that the recommendation numbers 2, 4, 5, 6, 7, 8, 9, 10, and 11 have been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 1

The Department should ensure that a comprehensive vessel replacement plan is developed and in effect.

Entity's response from previous report

In 2009, the Department informed us that:

It does in fact have direction to proceed with construction of 2 new ferry vessels, planning for acquisition of a third vessel, and the design of a fourth vessel and is also evaluating options for consideration of additional vessels.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Two new vessels have been designed, constructed and are about to go in service. Negotiations for construction of a third vessel are ongoing and design of a replacement for the M. V. Captain Earl W. Winsor is progressing.

Design and construction for six (6) *small ferries for the South Coast and Southern Labrador has been approved and the project is in progress. There are a total of ten (10) new vessels now approved for design and/or construction."*

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to ensure that a comprehensive vessel replacement plan is developed and in effect.

Recommendation No. 2

The Department should ensure that traffic reports on traffic levels are used in developing long range traffic forecasts necessary for vessel replacement planning.

Entity's response from previous report

In 2009, the Department informed us that:

It does in fact have direction to proceed with construction of 2 new ferry vessels, planning for acquisition of a third vessel, and the design of a fourth vessel and is also evaluating options for consideration of additional vessels.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"*The Department has utilized an analyst within its Policy, Planning and Evaluation Division to carry out statistical analysis, mathematical modeling and forecasting. Modeling has been carried out on all services and this information has been used and will continue to be used for vessel replacement planning.*"

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 3

The Department should ensure that cost-benefit analysis, funding needs, Government priorities and risks for all vessel replacement be identified and included in vessel replacement planning.

Entity's response from previous report

In 2009, the Department informed us that:

It does in fact have direction to proceed with construction of 2 new ferry vessels, planning for acquisition of a third vessel, and the design of a fourth vessel and is also evaluating options for consideration of additional vessels.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"While an overall analysis and plan for all services has not been produced, the Department has conducted individual cost-based analyses of owning and operating vs. owning and contracting the operations. vs. fully contracting an individual service as it proceeds with planning for vessel replacement for that particular service.

Government's priority has been to build vessels here in Newfoundland and Labrador in order that the province reaps the regional economic benefits that come with this. Thus, this priority has been a major factor in the determination of Government owning the new vessels."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow up on this recommendation again next year. To fully implement this recommendation, the Department will need to ensure that cost-benefit analysis, funding needs, Government priorities and risks for all vessel replacement be identified and included in vessel replacement planning.

Recommendation No. 4

The Department should ensure that a risk management plan is developed to address the potential areas of compliance vulnerability and risk for private service contracts.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A risk assessment plan has been developed and is part of the Safety Management System.

All contracted services require the operator to implement a Safety Management System during the first year of operation (2010/2011 or 2011/2012). This will be audited by the Contract Compliance Officer every six months."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 5

The Department should ensure that regular inspections of the privately-contracted vessels are performed to ensure that the contractor's work is in compliance with the terms of the contract.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A Departmental Policy has been approved and implemented with respect to inspections. The Contract Compliance Officer has audited all contract services. Audit reports are on file with the Department."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 6

The Department should ensure that private service contracts include a provision to allow the Department to conduct safety inspections.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"It is included as a contract obligation that safety inspections should be completed every six months. Also, the Marine Policy Manual requires that such inspections be completed every six months.

All contracted services require the operator to implement a Safety Management System during the first year of operation (2010/2011 or 2011/2012). This will be audited by the Contract Compliance Officer."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 7

The Department should ensure that safety management standards are developed for all contracted vessels and provision for monitoring compliance included in contracts.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Safety Management Standards have been developed and are included in the Safety Management System (SMS).

All contracted services require the operator to implement a Safety Management System during the first year of operation (2010/2011 or 2011/2012). This will be audited by the Contract Compliance Officer."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 8

The Department should ensure that regular audits of private service contractors are performed.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"A Departmental Policy has been approved and implemented with respect to contract compliance and monitoring of contractors operating privately - owned vessels. The Contract Compliance Officer has audited all contract services. Audit reports are on file with the Department."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 9

The Department should ensure that it complies with contract renewal requirements as defined in the respective agreements.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Contract Renewal requirements are being complied as per contract requirements."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 10

The Department should ensure that policies and procedures relating to contract compliance and monitoring of contractors operating private-owned vessels are developed.

Entity's response from previous report

In 2009, the Department informed us that:

It will enhance and strengthen its private contract compliance efforts.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"Policy and procedures have been approved and implemented relating to contract compliance and monitoring of contractors operating privately - owned vessels."

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 11

The Department should ensure that it complies with the Public Tender Act *and the* Financial Administration Act.

Entity's response from previous report

In 2009, the Department informed us that:

It was of the view that the action it took was in accordance with the exemption to the *Public Tender Act* granted in relation to new vessel construction. In terms of the *Financial Administration Act*, the Department acknowledged that funds may not have been officially encumbered, and would take corrective steps.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been fully implemented.

Furthermore, it indicated that:

"The Department followed the direction for the exemption to the Public Tender Act as granted in relation to new vessel construction.

Corrective steps have been taken to ensure that in the future funds will be encumbered in accordance with the Financial Administration Act*."*

Our conclusion

Follow-Up Not Required

We agree with the Department's position that this recommendation has been fully implemented and, therefore, no further follow-up is required.

Recommendation No. 12

The Department should ensure that all position descriptions for the Marine Transportation Services Branch are developed and updated, where applicable.

Ferry Services
(2009 Annual Report, Part 2.15)

Entity's response from previous report

In 2009, the Department informed us that:

It will ensure that all position descriptions are developed and updated, where applicable.

Entity's response to current request

In 2011, the Department informed us that the recommendation had been partially implemented.

Furthermore, it indicated that:

"Position Description Questionnaires were completed for all bargaining unit classifications in accordance with the job evaluation system process and requirements.

Position description for the Marine Engineering Superintendent has been submitted for classification.

The position description for the Marine Services Manager has been formally reviewed and classified as Corporate Services Manager."

Our conclusion

Follow-up Required

We agree with the Department's position that this recommendation has been partially implemented and, therefore, we will follow-up on this recommendation again next year. To fully implement this recommendation, the Department will need to ensure that all position descriptions are developed and updated, where applicable.
