



**Office of the Auditor General**

500 - 330 Portage Avenue  
Winnipeg, Manitoba R3C 0C4

July 2005

**The Honourable George Hickes**

Speaker of the House  
Room 244, Legislative Building  
Winnipeg, Manitoba  
R3C 0V8

Dear Sir:

I have the honour to transmit herewith my report on the *Follow-Up of Report Recommendations - A Review* to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

A handwritten signature in cursive script, reading "Jon W. Singleton". The signature is written in black ink and is positioned above the printed name.

**Jon W. Singleton, CA•CISA**  
**Auditor General**

# TABLE OF CONTENTS

REFLECTIONS OF THE AUDITOR GENERAL .....	1
1.0 EXECUTIVE SUMMARY .....	3
2.0 OUR FOLLOW-UP PROCESS .....	5
3.0 REVIEW COMMENTS .....	6
4.0 DEPARTMENT OF JUSTICE - MAINTENANCE ENFORCEMENT PROGRAM .....	7
5.0 DEPARTMENT OF FAMILY SERVICES AND HOUSING - CHILD DAY CARE PROGRAM - FINANCIAL SUBSIDIES ....	16
6.0 DEPARTMENT OF TRANSPORTATION AND GOVERNMENT SERVICES - PLANNING FOR HIGHWAY CONSTRUCTION REHABILITATION AND MAINTENANCE .....	20
7.0 DEPARTMENT OF JUSTICE - OFFICE OF THE PUBLIC TRUSTEE .....	28
8.0 DEPARTMENT OF CONSERVATION - SUSTAINABLE DEVELOPMENT INNOVATIONS FUND .....	33
9.0 DEPARTMENT OF FAMILY SERVICES AND HOUSING - CHILD, FAMILY AND COMMUNITY DEVELOPMENT BRANCH - AGENCY ACCOUNTABILITY .....	44
10.0 DEPARTMENT OF JUSTICE -THE FINE OPTION PROGRAM .	51
11.0 AGASSIZ SCHOOL DIVISION .....	56
12.0 LIONS CLUB OF WINNIPEG HOUSING CENTRES - DEPARTMENT OF FAMILY SERVICES AND HOUSING .....	61

---

## TABLE OF CONTENTS (cont'd.)

13.0 DEPARTMENT OF EDUCATION, CITIZENSHIP AND YOUTH - INVESTIGATION OF AN ADULT LEARNING CENTRE IN MORRIS-MACDONALD SCHOOL DIVISION #19 .....	83
14.0 KEEWATIN COMMUNITY COLLEGE - INVESTMENT IN INFORMATION TECHNOLOGY .....	102

---

We conduct follow-up reviews on our audits to help legislators understand how well organizations respond to our recommendations.

This report discusses the results of eleven follow-up reviews. Overall, I am encouraged by the progress shown by the respective organizations in implementing our recommendations; 82% of the recommendations that remain relevant have either been implemented or significant progress has been made.

For the 30 recommendations (17%) which fall into the category where “Some Progress” has been made, and the one recommendation (1%) where “No Progress” has been made resource constraints and the need for enhanced information technology systems appear to be the greatest barriers to progress. We encourage management to move forward on all the outstanding recommendations as expeditiously as practicable.



Jon W. Singleton, CA•CISA



# 1.0 Executive Summary

## SUMMARY OF PROGRESS REPORTED BY SELECT ENTITIES

We followed-up the implementation status of 182 recommendations issued in 11 audit reports dated from 1997 to 2002. These reports are listed in **Figure 1**.

**FIGURE 1**

2004 Follow-up Reviews - A Summary								
Reports Followed-up		Status of Recommendations as at March 31, 2004						
Reports to the Legislature	Audit Report or Chapter	Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant
Autumn 1997	Maintenance Enforcement Program	18	7	1	2	7	1	-
	Child Day Care Program Financial Subsidies	7	2	2	3	-	-	-
Spring 1998	Planning for Highways Construction, Rehabilitation and Maintenance	3	-	-	2	1	-	-
	Office of the Public Trustee	7	7	-	-	-	-	-
	Sustainable Development Innovations Fund	11	5	2	-	3	-	1
Summer 1999	Child and Family Support Branch - Agency Accountability	6 <sup>1</sup>	-	-	2	4	-	-
March 2001	Fine Option Program	7	5	-	1	1	-	-
	Agassiz School Division	6	4	1	1	-	-	-
	Lions Club of Winnipeg Housing Centres	41	28	-	6	4	-	3
September 2001	Investigation of an Adult Learning Centre in Morris-Macdonald School Division #19	Division	17	9	1	1	-	6
		Department	30	24	1	2	1	-
February 2002	Keewatin Community College - Investment in Information Technology	29	13	-	7	9	-	-
<b>Total</b>		<b>182</b>	<b>104</b>	<b>8</b>	<b>27</b>	<b>30</b>	<b>1</b>	<b>12</b>

<sup>1</sup> The status of these recommendations was reviewed as at December 31, 2004.

For 176 recommendations, status was reviewed as at March 31, 2004. For 6 recommendations, status was reviewed as at December 31, 2004.

As a result of changed circumstances, we noted that 12 of the recommendations included in these reports were no longer relevant. Implementation discussions were therefore limited to the remaining 170 recommendations.

We are pleased to report that for 104 of the 170 recommendations followed-up, entity officials indicate that the recommendations have been fully implemented. For another 8 recommendations, alternative solutions have been implemented to resolve the issues on which the recommendations were based. As such, in total, 112 recommendations (66%) have been fully addressed. We further note that significant progress has been made in another 27 recommendations (16%).

Therefore, 82% of the recommendations have been fully or significantly addressed.

However, of concern is that only some progress or no progress was reported for 31 recommendations (18%). Of particular note is that 16 of these recommendations were issued five or more years ago.

Many factors delayed the implementation of these recommendations. For the recommendations followed-up these factors included:

- The deferral of IT projects due to other departmental priorities;
- Financial and staffing constraints;
- The complexity of developing appropriate performance measures; and
- The impact of an expanded mandate.

Nonetheless, we believe it is imperative that the weaknesses which prompted the recommendations be resolved as quickly as possible in order to minimize the risk of any or further adverse consequences.

The one recommendation issued in 1997 to the Maintenance Enforcement Program where no progress has been made is "that information to the Legislative Assembly include sufficient details about the planned and actual performance levels for key output and outcome measures".

## 2.0 Our Follow-up Process

### REVIEW APPROACH

Following up an audit comprises:

- requesting management to provide us with brief progress reports on the actions taken and planned and to assess the extent to which each recommendation has been implemented;
- reviewing management's comments to obtain reasonable assurance that progress is fairly stated. Information on implementation status is fairly presented when:
  - all aspects of the recommendations are discussed;
  - all statements of fact are appropriately supported;
  - all significant and relevant facts or issues are included in the report; and
  - evaluative comments are consistent with factual statements;
- reporting to the Legislative Assembly and the public on the responses of management and the results of our reviews of those responses.

### FREQUENCY OF FOLLOW-UP REVIEWS

We typically wait three years from the issuance of an audit report before we conduct a follow-up review. We believe this allows management ample time to implement or to make significant progress on most of the recommendations made. Once the initial follow-up review is conducted, we perform annual updates until all recommendations are either:

- implemented;
- shown to be no longer relevant because of changed circumstances; or
- not accepted by the Department, and this decision is reflected in their comments.

### THE NATURE OF A REVIEW

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term "high level of assurance" refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgment, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

### 3.0 Review Comments

We reviewed the representations made by officials regarding the implementation status, as at March 31, 2004, of the recommendations included in the following audit reports:

- Autumn 1997, Maintenance Enforcement Program, Department of Justice;
- Autumn 1997, Child Day Care Program – Financial Subsidies, Department of Housing and Family Services;
- Spring 1998, Planning for Highways Construction, Rehabilitation and Maintenance, Department of Transportation and Government Services;
- Spring 1998, Office of the Public Trustee, Department of Justice;
- Spring 1998, Sustainable Development Innovations Fund, Department of Conservation;
- June 2000, University of Winnipeg, Investment in Information Technology;
- March 2001, Fine Option Program, Department of Justice;
- March 2001, Agassiz School Division;
- March 2001, Lions Club of Winnipeg Housing Centres, Department of Family Services and Housing;
- September 2001, Investigation of an Adult Learning Centre in Morris Macdonald School Division #19; and
- February 2002, Keewatin Community College, Investment in Information Technology.

Representations are presented fairly if:

- All aspects of the recommendations are discussed;
- All statements of fact are appropriately supported;
- All significant and relevant facts or issues are discussed; and
- Evaluative comments are consistent with factual statements.

In addition, we reviewed the representations made by officials regarding the implementation status, as at December 31, 2004, of the recommendation included in our Summer 1999 audit report on the Child, Family and Community Development Branch - Agency Accountability, Department of Family Services and Housing

Our reviews were made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the organizations.

A review does not constitute an audit and consequently we do not express an opinion on this matter.

Based on our reviews, nothing has come to our attention to cause us to believe that the representations made by entity officials do not present fairly, in all significant respects, the progress made in implementing the recommendations contained in the above listed audit reports.

## 4.0 Department of Justice - Maintenance Enforcement Program

*Original issue date: Autumn 1997.*

*First followed-up as at March 31, 2001. The follow-up report was released in February 2002.*

### 4.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

On March 31, 2001 the Department reported that 5 of our 18 recommendations had been fully implemented. As such, no additional follow-up on these 5 recommendations was required as part of our 2004 follow-up.

At the time of our first follow-up, we encouraged the Department to complete, in a timely manner, the Program's information technology project. Subsequently, in 2002 Program officials concluded that purchasing an "over-the-counter" information system would be more cost effective than continuing to develop a system in-house. Once again we encourage the Department to ensure the information technology needs of the Program are addressed within a reasonable timeframe. The proposed information technology system will help address several of our recommendations that deal with:

- ensuring the accuracy of client information;
- ensuring the timeliness of enforcement actions;
- automating certain enforcement actions;
- generating better quality performance information; and
- creating administrative efficiencies.

While some progress has been made regarding our recommendation that the Department account for the full costs of the Program (Recommendation 13), the Department has advised that no further actions are planned. Program costs continue to be included within several sub-appropriations. As a result, information on the full cost of the Program is not available to the Department or the Legislative Assembly. In measuring Program performance and cost-effectiveness it is important that the full cost of the Program be known. We encourage the Department to reconsider the value of the recommendation.

FIGURE 2

Status as at March 31, 2004 of Recommendations Issued in Autumn 1997							
Total		Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant
Resolved as at our 2001 Follow-up	5	5	-	-	-	-	-
Followed-up in 2004	13	2	1	2	7	1	-
<b>Total</b>	<b>18</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>-</b>

## 4.2 SUMMARY OF OUR ORIGINAL REPORT

### About the Program

The Program provides a monitoring and enforcement service that is available to all residents of Manitoba who have a maintenance order or agreement from any court in Canada and from jurisdictions with reciprocal agreements.

### Audit Purpose and Scope

The purpose of our audit was to answer the following questions:

- Are recipients accurately enrolled in a timely manner?
- Are accurate account balances maintained?
- Is the enforcement process effectively managed?
- Is program performance adequately measured, evaluated and reported?
- Is sufficient and appropriate performance information on the Maintenance Enforcement Program reported to the Legislative Assembly?

### Conclusions

We concluded that:

- recipients were accurately enrolled in the program but that the length of time the Program took to record an order, once it was received from the courts, could be improved.
- accurate account balances were maintained for most of the orders in our sample. We noted that opportunities existed to improve processes that ensured the accuracy of the account balances, specifically relating to data input, to management review, and to approval of account adjustments.

- there were opportunities to further improve the management and effectiveness of the enforcement process.
- management should enhance the measurement, evaluation and reporting of Program performance.
- the Legislative Assembly should be better informed about the Program and its performance.

### 4.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Justice’s representations on the implementation status, as at March 31, 2004, of the recommendations from the Autumn 1997 Auditor General report on the Maintenance Enforcement Program are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department’s representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

#### General Comments

The Maintenance Enforcement Program has complex business requirements and as a result requires a sophisticated computer application. As identified by the Auditor, the current application does not meet the program’s needs. Experience in other Canadian jurisdictions has demonstrated that these maintenance enforcement systems require years to develop and are multi-million dollar projects. Rather than Manitoba building its own unique system as originally intended, the Government of Alberta has offered their new and successful maintenance enforcement system to Manitoba. The Alberta system meets most of Manitoba’s business requirements, will be more cost effective and poses less risks than developing a similar system internally. Manitoba is currently preparing a project plan for bringing the Alberta system to Manitoba in fiscal year 2006/07.

#### Recommendation 1

**That management implement a review and approval process for account adjustments to ensure propriety and accuracy.**

Alternative Solution Implemented

#### Actions Taken

The Program was restructured in 2001 to better segregate administrative and collection functions. As a result, all financial adjustments to accounts are now performed exclusively by three administrative staff. Previously enforcement officers processed certain financial adjustments.

Because of the complexity of variation order and income reporting adjustments, an Order Administration and Interpretation form was developed to document:

- order history;
- interpretation and rationale for each account adjustment;
- the name of the Program manager that was consulted (if applicable) to help interpret the order and other information.

Other financial adjustments, such as assignment and termination of Employment Income Assistance benefits and Cost of Living Adjustments, are documented elsewhere in the file.

After the financial adjustments are processed, the file is returned to the enforcement officer. The enforcement officer verifies that the payment cycle and order details have been accurately and completely recorded in the information system.

## **Recommendation 2**

Some Progress

**That management enhance data input processes to reduce the risk of undetected input errors.**

### ***Actions Taken***

The Program's information system produces an electronic log on a daily basis of receipts and payments. Receipts and payments are manually agreed to the electronic log to ensure accuracy of data input. Deposits are reconciled, daily, on-line with our financial institution.

### ***Actions Planned***

The Program's proposed information system will strengthen controls over the accuracy of data entry for both financial and client information in several ways:

- Financial adjustments will be automatically posted to the account;
- Payment information that does not match the account information will not be allowed to be entered into the system;
- Direct deposits will be made to the Program's bank account and the recipient's bank account;
- Managing the allocation of monies received from a payor to the appropriate account (a file will have a supplementary account when the recipient is or has been receiving Employment and Income Assistance benefits in order to process Employment and Income Assistance benefit repayments).

## **Recommendation 3**

Implemented

**That management address the need to process adjustments to variable order accounts in a more timely manner. This could have included the restructuring of jobs and processes or enhancing technological resources.**

**Actions Taken**

In order to process adjustments to variable order accounts in a more timely manner, the Program undertook three key initiatives:

- added one administrative staff to process adjustments (total of three);
- developed standard procedures;
- established a service standard of one week for processing variable order adjustments. For the fiscal year ending March 31/04, the Program met this standard 83% of the time.

**Recommendation 4**

**That enforcement officers review all orders in default, on a periodic basis, to determine what enforcement actions are required.**

Significant Progress

**Actions Taken**

An enforcement progression policy was implemented in 2003. This policy defines the specific enforcement actions that are to be taken and the expected timeframe. Despite enforcement actions taken, if an account has been in default for more than six months it is referred to the Compliance Unit. The officers in the Compliance Unit will utilize some of the Program’s most powerful enforcement tools.

If the Compliance Unit is unsuccessful in collecting monies then the account will be classified as uncollectable. The classification of an account as uncollectable must be approved by a Client Services Manager. The Program has defined criteria for when uncollectable accounts must be reviewed for any changes in the payor’s circumstances. The timelines of such reviews depends on staff availability.

**Actions Planned**

The Program’s proposed information system will flag enforcement actions to be conducted based on the timelines within the enforcement progression policy. In addition, the proposed system will produce management reports that the Client Service Managers will use to monitor enforcement actions taken on accounts in default.

**Recommendation 5**

**That management develop a more comprehensive quality assurance file review process and related policies and procedures.**

Significant Progress

**Actions Taken**

The Quality Assurance Officer position was created and staffed in 2001. The Quality Assurance Officer reviews all complaints received, and for valid complaints, reviews the file to determine if it is systemic or an enforcement officer performance issue. When issues are systemic, policies and procedures are reviewed and amended, if needed.

A limited number of random file reviews are also conducted by the Quality Assurance Officer and the two Client Service Managers. In addition, files are reviewed when they provide backup support for officers away due to vacation/illness, when they assist in clearing backlogs, or when they assist in resolving urgent client issues. In all of these situations, the Manager reviews the entire file to ensure that the appropriate enforcement actions have been taken and that policies and procedures have been complied with.

### ***Actions Planned***

Regarding quality assurance policies and procedures, including documentation requirements, the Quality Assurance Officer will:

- Develop formal policies and procedures for the quality assurance file review process;
- Develop documentation standards for file reviews;
- Create a log to track files that are reviewed on an annual basis;
- Summarize quality assurance review findings in an annual report.

### **Recommendation 6**

Implemented

**That management complete the development of a policies and procedures manual on a priority basis.**

### ***Actions Taken***

A policy and procedure manual has been written, implemented, and is updated regularly. When enforcement officers are hired they are provided training on all of the policies and procedures contained in the manual.

The Program Director is delegated responsibility for approving the Program's policies except when:

- A policy affects service levels provided to the public;
- Requires legislative amendments;
- Requires additional staffing/resources;
- Results in changes to revenue.

In these cases, the Executive Director of Court Services reviews and approves the policy.

### **Recommendation 7**

Some Progress

**That management review the enforcement action coding system to ensure its completeness, appropriateness, and ease of recording.**

### ***Actions Taken***

The Program has increased the number of enforcement action codes available within the information system. In addition, some of the codes that relate to multiple enforcement

actions have been changed so that the codes more appropriately depict the multiple enforcement actions taken on an account.

Recently, the Program began to review certain accounts for the accuracy and completeness of the recorded enforcement action codes.

***Actions Planned***

The Program’s proposed information system will automatically record the enforcement action code when an enforcement action has been taken and will automatically remove the code when the enforcement action has been terminated. The system will record an enforcement action code for each individual enforcement action taken on an account and will link monies collected to a particular enforcement action taken.

**Recommendation 8**

**That management enhance the Maintenance Enforcement information system by automating all enforcement actions.**

Some Progress

***Actions Taken***

The Program has created templates for enforcement actions such as Federal license denial and demand for information and various other correspondence performed by the enforcement officers.

***Actions Planned***

Once the Program’s proposed information system is purchased and implemented, the Program plans to automate as many enforcement actions as the system will allow.

**Recommendation 9**

**That management enhance the activity log update process to facilitate the entry of pertinent information.**

Some Progress

***Actions Taken***

The Program’s existing information system is not sufficiently flexible to accommodate enhancements to the activity log update process. As a result, further progress on this recommendation cannot occur until the new MEP information system is implemented.

***Actions Planned***

The Program’s proposed information system will provide a complete journal of activity on each client so that a complete history of enforcement actions taken and terminated will be easily accessible to Program staff and management.

Some Progress

**Recommendation 10**

**That management enhance the Maintenance Enforcement information system to automatically notify officers of variable order income reports that are due.**

***Actions Taken***

The Program’s existing information system is not sufficiently flexible to automate notification of variable order income reports when they are due. As a result, further progress on this recommendation cannot occur until the new MEP information system is implemented.

***Actions Planned***

The Program’s proposed information system will retain formulas in the system. When income reporting is received by the required date, the administrative staff will only have to enter an income amount into the system for variable order accounts. The system will then automatically calculate the adjustment to the account, record the account adjustment and generate a letter to the payor and recipient informing them of the details of the account adjustment. When income reporting is not received by the required date, the system will automatically flag that the reporting is overdue so that the enforcement officers can follow up on a timely basis.

**Recommendation 11**

Some Progress

**Upon the development of measurable, results-oriented objectives, that management design and implement system enhancements that would provide management with meaningful performance information.**

***Actions Taken***

The Program tracks the following performance information:

- Total dollars collected as compared to the previous year;
- % of caseload that is fully compliant;
- total dollars in arrears with comparison to the previous year;
- Dollars collected per account;
- Total dollars collected by Compliance Unit since they were established in mid-2001 (Compliance Unit handles those files where the normal collection and enforcement procedures have failed); and
- Total dollars collected from lottery winnings since 2001.

***Actions Planned***

The Program is developing further performance measures related to caseload management, client service, compliance and collections. The proposed MEP information system will provide statistical information about Program performance based on the developed measures. This information will allow the Program to better manage resources, set annual

performance targets and permit more detailed business analysis and reporting. In addition, this information will provide the Program with the statistical information that is currently requested by the Canadian Centre for Justice Statistics.

**Recommendation 12**

**That information to the Legislative Assembly include sufficient details about the planned and actual performance levels for key output and outcome measures.**

No Progress

*Actions Planned*

Once the Program’s proposed information system is in place, the Program will determine the performance information based on key output and outcome measures that will be considered for inclusion in the Department’s annual report to the Legislative Assembly.

**Recommendation 13**

**That departmental management account for the full costs of the program.**

Some Progress  
No further actions planned

*Actions Taken*

The Program continues to be accounted for within the Court Services sub-appropriation of the Department of Justice. Costs incurred specifically by the Program are not segregated.

In 2003 the amalgamation of regional staff performing Program functions was completed. As a result, these costs are now included in the Court Services sub-appropriation. In addition, the sub-appropriation includes the cost of serving garnishment orders and the cost of legal services obtained from the Civil Legal Services Special Operating Agency.

No further action is planned to develop full-cost accounting for the Program. Other costs to administer the Program continue to be accounted for in other sub-appropriations within the Department of Justice such as the services of the Family Law branch staff, human resources staff, and information technology staff. In addition, occupancy costs for the Program’s Brandon and Thompson offices continue to be accounted for in the Department of Transportation and Government Services and in another sub-appropriation within the Department of Justice, respectively.

## 5.0 Department of Family Services and Housing - Child Day Care Program – Financial Subsidies

*Original issue date: Autumn 1997.*

*First followed-up as at March 31, 2001. The follow-up report was released in February 2002.*

### 5.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

As at March 31, 2001, the Department reported that 3 of our 7 recommendations had been either fully implemented or that an alternative solution had been implemented. As such, no additional follow-up on these 3 recommendations was required as part of our 2004 follow-up.

As a result of our 2004 follow-up, we note that the Department has taken significant steps to ensure all of our recommendations will be implemented by the end of 2005. While the overall timeline is somewhat excessive, we acknowledge that some of the recommendations were dependent on the completion of the new Child Care information system and on the development of Department wide planning processes.

**FIGURE 3**

Status as at March 31, 2004 of Recommendations Issued in Autumn 1997							
Total		Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant
Resolved as at our 2002 Follow-up	3	1	2	-	-	-	-
Followed-up in 2004	4	1	-	3	-	-	-
<b>Total</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5.2 SUMMARY OF OUR ORIGINAL REPORT

### About the Program

Accessible quality day care is an area of concern to many citizens of Manitoba. The Child Day Care Branch of the Department of Family Services addresses these concerns by providing a number of services which include: developing standards for day care facilities, licensing facilities, providing grants to eligible child care providers and providing day care subsidies to children of eligible families.

### Audit Purpose and Scope

The purpose of our audit was to determine whether:

- Financial subsidy applications were assessed, and subsidy amounts calculated, in a timely manner and in compliance with The Community Child Day Care Standards Act and Regulation.
- Financial subsidy payments were made on a timely basis and were appropriately supported, calculated, approved and recorded.
- The performance of the financial subsidies component of the Child Day Care Program was appropriately measured.
- The Department of Family Services reported sufficient and appropriate performance information on the financial subsidies component of the Child Day Care Program to the Legislative Assembly.

Our audit covered the nine month period from April to December 1996. We examined a sample of 42 subsidized cases.

### Conclusions

We concluded that:

- Subsidy eligibility and amounts were assessed in accordance with the Act and Regulation. However, we also concluded that subsidy applications were not processed in a timely manner.
- Subsidy payments were properly calculated and approved, and made on a timely basis. However we also concluded that the Child Day Care Branch should strengthen its processes for ensuring claims are appropriately supported.
- The Child Day Care Program should strengthen its processes for measuring the performance of the financial subsidies component.
- The Legislative Assembly should be better informed about the performance on the financial subsidies component of the Child Day Care Program.

### 5.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Family Services and Housing's representations on the implementation status, as at March 31, 2004, of the recommendations from the Autumn 1997 Auditor General report on the Child Day Care Program - Financial Subsidies are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

#### Recommendation 1

Significant Progress

**That the Branch develop a policy regarding the referral of applications to the investigation unit.**

##### *Actions Taken*

Starting in August 2004, the Program established a Compliance/Investigation position and now refers all applications for investigation to the compliance/investigation staff person.

##### *Actions Planned*

The program has an unwritten policy for referring applications to the compliance/investigation staff when a subsidy applicant has failed to provide further information as requested by the Program.

A formal policy for the referral of applications for investigation will be implemented shortly.

#### Recommendation 2

Significant Progress

**That the department develop measurable results-oriented program objectives and related program performance measures.**

##### *Actions Taken*

In February 2001, the Manitoba Government released the Child Day Care Regulatory Review Committee's "A Vision for Child Care and Development in Manitoba" for public consultation. In response to that vision document, the province announced a new five-year plan for child care in 2002. The plan identifies three major areas to be addressed over the next five years: quality, accessibility and affordability and contains specific goals and performance targets.

In conjunction with the five-year plan, the Department is currently piloting a strategic management system for the Child Day Care Program. The pilot began in December 2003

and comprises four modules of which 3 modules have been completed as follows:

- Module 1: Strategic Planning/Action Plans;
- Module 2: Performance Monitoring and Reporting;
- Module 3: Program Evaluation Strategies.

The pilot has so far established Program goals with related objectives and performance indicators.

***Actions Planned***

The final module of this planning process is expected to be completed in September 2004:

- Module 4: Continuous Quality Improvement

After the final Module is completed the strategic management system will be presented to the department for approval. Once approved, it will be implemented.

**Recommendation 3**

**That the information system be amended to accommodate program performance measures.**

Implemented

***Actions Taken***

A new Child Care Computer System was completed in April 2004. The information system produces the information needed on outputs and outcomes identified in the five-year plan. Information we consider most important includes the number of children receiving subsidy, the number of applications rejected and the reasons for rejection, funded and non-funded space vacancies and the number of trained staff at child care centres. While the need for measurement data is an ongoing process the system remains flexible to meet changing information needs.

**Recommendation 4**

**That the information to the Legislative Assembly include sufficient details about the planned and actual performance levels for key output and outcome measures.**

Significant Progress

***Actions Taken***

The program has positioned itself to be able to report on the yearly progress towards the goals and specific targets publicly outlined in the Five-Year Plan for Child Day Care. The Department now also receives funding from the federal government for child care under the Early Learning and Child Care Agreement (ELCC). Under this Agreement, the Program publicly reports on its progress in achieving the goals of the Five-Year Plan for Child Day Care and has issued progress reports for 2002 and 2003.

***Actions Planned***

Specific information on the yearly progress against the Five-Year Plan for Child Day Care is currently available internally. The Child Day Care Program will ensure that this information is forwarded for inclusion in the Department's 2004 Annual Report.

## 6.0 Department of Transportation and Government Services - Planning for Highway Construction Rehabilitation and Maintenance

*Original issue date: Spring 1998*

### 6.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

Our recommendations required substantial improvements to the Department’s planning processes and management information systems. Given the breadth and depth of these changes, securing the necessary funding and staffing has been a challenge for the Department. As such, progress has been slow. We note that the proposed timelines for resolution span an additional 2 to 3 years. We encourage the Department to tighten this timeline.

**FIGURE 4**

Status as at March 31, 2004 of Recommendations Issued in Spring 1998							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	3	-	2	1	-	-	

### 6.2 SUMMARY OF OUR ORIGINAL REPORT

#### About the Program

The Department of Transportation and Government Services is responsible for the planning, design, construction, rehabilitation and maintenance of the provincial highway system as well as the air and marine facilities in the northern part of the Province.

#### Audit Purpose and Scope

The purpose of our audit was to answer the following question:

- Are appropriate mid-range and annual planning processes and information in place to ensure that the resulting highway construction,

rehabilitation and maintenance plans contribute toward accomplishing the Department's strategic objectives?

We conducted our audit from January to June 1997.

## Conclusion

We concluded that while projects were prioritized, effective processes and sufficient information were not in place to ensure that the projects selected would contribute, to the fullest practical extent, toward the accomplishment of the Department's strategic objectives.

## 6.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Transportation and Government Service's representations on the implementation status, as at March 31, 2004, of the recommendations from the Spring 1998 Auditor General report on the Planning for Highway Construction, Rehabilitation and Maintenance are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

### Recommendation 1

**That the Department develop a comprehensive documented analysis of the relative emphasis of the various planning inputs (being highway needs, benefit/cost analysis and socio-economic factors for each project) to demonstrate the rationale for construction and rehabilitation project priorities.**

Significant Progress

#### *Actions Taken*

The Department has completed a number of transportation planning studies that incorporate public/stakeholder consultation, a multi-modal scope, and consideration of economic, social, and environmental factors:

- In November 1998, the Department engaged external consultants to undertake a Manitoba-Nunavut Transportation Assessment to examine the logistical supply chain for all traffic going to and from Nunavut. A component of the assessment, the Road Corridor Sub-Study, estimated the costs of providing winter or all-weather roads to Nunavut in comparison to other modes of transportation. The sub-study provided the basis for the next step in the planning process, the Nunavut-Manitoba Route Selection Study.

- In 1999, the Department engaged an external consultant to determine the economic justification for an all-weather road on the East Side of Lake Winnipeg. The study, completed in 2000, determined that a road can be justified for many East Side communities on the basis of long-term transportation cost savings. The Department is using the study to pursue a federal/provincial/stakeholder funding partnership.
- In April 2000, the Department engaged an external consultant to undertake strategic transportation planning studies for remote communities to determine the merit of building all-weather roads, and to propose alternative options for improving transportation services in these areas should the road not be cost-justified as determined through benefit-cost analysis. The communities included Pukatawagan, Thicket Portage, Ilford, Pikwitonei, Shamattawa, and York Landing.

In 2000, the Department engaged an external consultant to develop a transparent and defensible framework for the analysis, weighting, and consideration of highway needs, asset management analysis, benefit/cost analysis, and socio-economic factors in the planning and programming of highway investments. The framework demonstrated the rationale for construction and rehabilitation project priorities. A summary of the report was used in the *2020 – Manitoba’s Transport Vision* process (see below) to explain to highway stakeholders and the general public the various planning inputs that go into highway investment decisions.

In 2000, the Department initiated *2020 – Manitoba’s Transport Vision*, a process for developing a long-term transportation vision and infrastructure investment plan involving public participation. Social, economic, and environmental factors and impacts in transportation planning were integrated. The process adopted a multi-modal scope, and public/stakeholder consultations were conducted province-wide through workshops and survey participation. The priorities identified in the consultations complete the first step in developing a long-term highway investment plan.

The Department’s annual strategic planning process provides information about current budget and socio-economic needs, and in consideration of provincial priorities, presents a set of short, medium and long term strategies and goals to underpin highway program development and decision-making. Continuous examination and updating of plans is accomplished through the development of the Department’s annual plan.

Significant progress has been made in improving the quality and accuracy of information about the highway network as another means to ensure more comprehensive planning of construction and rehabilitation programs in line with criteria:

- Since 2000, the collection of pavement surface condition information, a key factor in measuring deterioration trends, has been fully automated. This provides more information, in a more consistent form, which improves accuracy. This is essential information to develop an optimized pavement preservation program by the Pavement Management System. The standard for collecting this information is “Automated Pavement Surface Condition Survey”.
- Beginning in 2002, the automatic vehicle classifier was installed in strategic locations throughout Manitoba. Data is collected

continuously, automatically and remotely. It provides vehicle volumes by time, speed and vehicle type, including truck axle group configurations. The result is more accurate traffic data about the provincial highway system due to more and better quality data collection tools.

- The transition to a Geographic Information (GIS) based highway inventory system, beginning in 2003, has improved the accuracy of the analysis of highway attributes such as highway cross sections, traffic volumes and pavement condition.

In 2003, a five year capital planning framework incorporating highway needs, safety, socio economic criteria and partnership opportunities was completed. This framework now guides how available budgets are allocated, targeting resources to overall priority areas so that greater value for public investment is achieved.

The framework has been employed since 2003 in developing the highway capital initiative RoadWorks Manitoba, the province's five year \$600 million highway program.

The Department has developed or participated in the development of a range of strategies and studies that are essential inputs into a long-range transportation infrastructure plan for Manitoba. These include:

- *Northern Development Strategy* – In June 2000, Department staff participated in a workshop that established priorities and goals for the Province's Northern Development Strategy (NDS). Ten goals were established for the transportation sector component of the NDS, several of which have influenced the Department's highway planning and programming.
- *Intelligent Transportation Systems (ITS) Strategic Plan* – ITS comprises various computer and communications networks which can improve mobility and transportation efficiency, productivity, safety, security, and competitiveness. Under a cost-shared funding partnership with the federal government, in September 2002 the Department engaged an external consultant to develop a Provincial ITS Strategic Plan for Manitoba. The plan enables Manitoba to identify local needs and prioritize the implementation of ITS technologies. The plan provides a comprehensive roadmap setting the direction and pace of ITS investments within Manitoba over the next 10 years, and creates a framework that allows partnerships to form around strategic ITS initiatives.
- *Mid-Continent Trade Corridor and Border Strategy* – The goal of the Mid-Continent Trade Corridor and Border Strategy is to facilitate Manitoba's trade through the development and maintenance of efficient and safe transportation systems by promoting investments that reduce travel time, transport, and trade processing costs. The Department initiated the strategy in 1996. Major projects completed to date include the Northern Great Plains Trade and Transportation Assessment, the North Dakota/Manitoba/Saskatchewan Border Planning Project, the Corridor

Intelligent Transportation Systems Project, the Air Cargo Polar Route Assessment, and the Global Distribution Centre Assessment.

- *Strategic Economic Highway System* – In 1992, Canadian jurisdictions (federal government, provinces, territories) established a National Highway System (NHS); the NHS comprises highways of national significance that are eligible for federal cost-sharing of highway improvements. In 1997, the jurisdictions agreed to update the highways included in the NHS by identifying “strategic economic highways” on the basis of specified criteria (major manufacturing or processing sites, transportation hubs, intermodal facilities, major recreation areas, etc.). In October 1998, the Department completed a study to identify Manitoba’s Strategic Economic Highway System. The 1997 update of the NHS was not carried through, but there is now a new initiative underway to review the highways included in the NHS, and the Department is using its earlier study to help assess which provincial highways should be added to the Manitoba portion of the NHS.
- *RTAC\* System Review* – Highways designated as RTAC\* highways allow the largest and heaviest legal truck vehicle combinations. Local governments and industry demand additional RTAC routes, but available budgets limit the ability to preserve the system in good condition. In 2001, the Department initiated an RTAC review to formulate concepts and criteria as a basis for determining routes that warrant the RTAC designation. In August 2001, the Department completed the first part of the review, which compared the economic benefits of the RTAC limits for truck weights and sizes with the costs of providing a highway built to the RTAC standards. The review is an ongoing study which will involve additional projects in the future.

*\* RTAC is the abbreviation for the Roads and Transportation Association of Canada, now called TAC; Transportation Association of Canada. The policy and procedures framework for governing classification of road systems from a commercial carrying perspective was developed by RTAC, and so this classification system for highways is called “RTAC”.*

### **Actions Planned**

The Department has commenced a number of transportation planning studies that incorporate public/stakeholder consultation, a multi-modal scope, and consideration of economic, social, and environmental factors:

- *Nunavut-Manitoba Road Initiative and Route Selection Study* – In partnership with Nunavut and the Kivalliq Inuit Association, the Department is undertaking a detailed multi-disciplinary route selection study to determine the social, economic, and environmental impacts of developing a road linking Manitoba with Nunavut, and to estimate the costs for each of three potential road corridors so as to provide an objective basis upon which to choose the preferred route. An external consultant has been selected; signing of the contract is pending confirmation of the availability of federal funding for cost-sharing the study.

- *Brandon Area Road Network Development Plan* – The Department and the City of Brandon are undertaking a road network development study for the Brandon area. The study will focus on improving public safety and serving the regional economy and social needs while complementing ongoing land development. The plan will result in a prioritized list of solutions for current and future transportation infrastructure needs in the Brandon area. An external consultant has been selected and the contract with the consultant is being finalized.

A Spring Road Restrictions (SRR) Program Evaluation is planned for 2005/2006. This initiative will support the analysis of the roads most in need of protection from further deterioration and thus subject to spring road restrictions, however weighted in balance with the needs of farmers and industry to pursue economic interests. This evaluation will take into consideration the new data available on the state of the paved surface network and the updated profile of the highway network from an economic role and contribution perspective.

In follow-up to the work completed on the Strategic Economic Highway System, the department will be updating its baseline classification of all 19,000 km of highway in 2005/2006. Over time, more than one classification system has been developed to meet unique situational needs (for example; commercial access, traffic flow, weight restrictions). The result is a multi-level classification system that needs to be harmonized. The updated and harmonized baseline classification of all sections of highway will allow for a comprehensive analysis of Manitoba's highway system from the perspective of its economic role and contribution.

Plans are underway to adopt a cost-benefit analysis tool to complete relative comparisons of capital construction and rehabilitation projects by 2006/2007. Analysis will consider the current five-year program as well as candidate projects.

As well, a Geographic Information System (GIS) based collision-mapping tool, subject to available resources, could be available for use in the 2006/2007 programming cycle. The tool would analyze collision trends and identify "high crash locations", those sections of highway with a high number of accidents. Locating "high crash locations" and eliminating them by prioritized traffic control and re-construction projects improves highway safety.

## **Recommendation 2**

**That the Department adopt a least lifetime cost methodology in determining rehabilitation and maintenance strategies, priorities and budgets.**

Significant Progress

### ***Actions Taken***

In the fall of 1998, a maintenance management system was implemented to support Transportation's highway maintenance operations. This tool replaced a mainframe system with PC based software allowing direct and dynamic access to maintenance reports, experiences and needed changes for planning and delivery purposes. This system supported more active and interactive planning, and the ability to manage the highway

inventory more effectively. This allowed maintenance plans to also respond to service level commitments.

From inception to 2004, the maintenance management system was stand alone with data transfer capability only. This was due to the lack of network infrastructure in the remote areas. In 2004, modifications were made to allow any user with a Network or remote connection access to the use of the system. This advance towards real time information means that managers have the ability to make more informed, timely and effective decisions about maintenance activities.

Part and parcel of the maintenance management system is a routine to review and update Maintenance Business Procedures and Policies, including Level of Service statements within existing operational requirements. This framework guides how available budgets are allocated, targeting resources to overall priority areas so that greater value for public investment is achieved.

The pavement management system was implemented in 2004. The system takes current and historical surface condition data and creates models for the strategic preservation of Manitoba's 13,000 km of bituminous and asphalt surface treatment pavements. Strategic preservation means that the best treatment, based on the most appropriate action, is applied to the section of roadway where preservation at this time in its life cycle is the most cost-effective. The system provides least life cycle cost solutions to manage existing pavement assets, at a predetermined level of service, within either an existing or enhanced budget scenario.

The system allows preservation planners to measure actual project results and compare them to the originally projected results. Variances are assessed and used to modify the next generation of project proposals. The information about the actual results of a highway project also allows for a more accurate projection of what can be achieved from budget resources.

In 2004, the pavement management system was used to develop the 2005/06 pavement preservation program. The preservation program includes pavement maintenance and rehabilitation work. The recommended 2005/06 program consists primarily of maintenance and surface treatments, as limited funds will be available for the pavement rehabilitation.

### ***Actions Planned***

Further application of the 2004 pavement management system is planned. Formal documentation is being developed with the first version expected in 2005. As well, a report is being prepared and will be presented, illustrating the long term impact of minimal pavement rehabilitation related to funding limitations, where this is negatively affecting the least life cycle cost of the paved highway system.

A bridge management system, in development now, is expected to be operational for the 2007/08 programming cycle. The system will use data from Manitoba's 2,400 structures and create strategic models for preservation of the structures in keeping with a least life cycle cost formula.

**Recommendation 3**

**That the Department establish a process to conduct post-implementation reviews of a sample of completed construction and rehabilitation projects to determine whether anticipated benefits were achieved. The Department should use the results of these reviews to enhance the planning and delivery of future projects.**

Some Progress

***Actions Taken***

Engineering Audit & Quality measures and tests the actual outputs in comparison to the original specifications to ensure that original specifications for technical quality and serviceability have been appropriately met, and where necessary, remedial action is successfully completed.

***Actions Planned***

Materials Engineering is striving to implement processes to measure actual materials performance to expected materials performance. Through these reviews, shortfalls in quality or performance will be detected and will support the development of best practices.

## 7.0 Department of Justice - Office of the Public Trustee

*Original issue date: Spring 1998*

### 7.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We commend the Office of the Public Trustee for fully implementing all of our recommendations. The development of a new budgeting system, the strengthening of policies and procedures related to the use of companion services, and the addition of an Internal Auditor has resulted in improved management control over expenditures within client accounts.

**FIGURE 5**

Status as at March 31, 2004 of Recommendations Issued in Spring 1998							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	7	7	-	-	-	-	

### 7.2 SUMMARY OF OUR ORIGINAL REPORT

#### About the Program

The Public Trustee protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis, where there is no other competent or acceptable person available to provide the required services. Clients include people who are mentally incompetent, under the age of majority, or whose estates would otherwise not be administered upon their death.

#### Audit Purpose and Scope

The purpose of our audit was to answer the following question:

- Are the internal control practices of the Public Trustee, for the trust accounts of “clients living in the community”, adequate to ensure the validity and appropriateness of expenditures?

The audit covered file activities from January 1996 to January 1998.

## Conclusion

We concluded that while the Public Trustee had taken some specific actions which had improved internal control practices, certain of the controls over the management of these trust accounts should be further strengthened to provide adequate assurance of the validity and appropriateness of trust account expenditures.

## 7.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Justice's representations on the implementation status, as at March 31, 2004, of the recommendations from the Spring 1998 Auditor General report on the Office of the Public Trustee are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

### Recommendation 1

**That management determine the reporting requirements of those organizations who have been delegated personal supervision of clients to include the provision of documented care plans and results against the care plans. These requirements should be clearly stated in the Manual and should be clearly communicated in the delegation letter.**

Implemented

#### *Actions Taken*

Management has clearly set out, in both policy and delegation letters, the reporting requirements for those organizations that have been delegated authority for the personal supervision of clients.

Reporting requirements include the submission of a care plan and an annual report on how or whether the care plan has been followed, and what, if any, changes are required in the plan in order to properly meet the needs of the client.

Public Trustee systems "flag" the due dates for receipt of both initial care plans and annual care plan reports and automatically produce exception reports if these documents have not been received by their due date. Exception reports facilitates management review and control and help ensure that Client Administration Officers (CAOs) take timely follow-up action to obtain initial care plans and annual care plan reports.

In addition, for selected files, our Internal Auditor verifies that up-to-date care plans are included in client files as part of the ongoing client file audit process. As an added quality assurance check, the Manager, Client Administration also conducts a review of one file each week.

Implemented

## Recommendation 2

**That CAOs annually review and update the budgets for all clients with funds in excess of basic living requirements, and that actual expenditure levels be monitored against these budgets.**

### *Actions Taken*

A client budgeting system was implemented in June 2000. Client Administration Officers prepare an annual budget for all clients with funds in excess of basic living requirements. Each budget is reviewed and approved on-line by the Manager, Client Administration.

The system provides information on all aspects of a client's financial position including available funds, investment holdings and capital position; income from pensions, investments, and other sources; and expenses such as accommodation costs, companion services, medical and drug costs, and other living costs.

The information is presented on-line in a format that clearly displays budgeted and actual income and expenditures and any variances. Hard copy reports can be printed if required.

Variances are examined annually for reasonableness as part of the budget review and approval process. In addition, specific management approval is required for all net income expenditures over \$2,500 per month and all annual capital encroachments in excess of \$2,000.

Variances are also reviewed in detail, for selected files, by our Internal Auditor as part of the ongoing client file audit process. As an added quality assurance check, the Manager, Client Administration also conducts a review of one file each week.

## Recommendation 3

Implemented

**That management develop a formal policy on the documented support required for reimbursement of discretionary expenditures made by Companions.**

### *Actions Taken*

Public Trustee policies have been amended to include documentation requirements for reimbursement of discretionary expenditures made by client companions. The policy requires that original unaltered cash register receipts must be presented to support reimbursement requests before reimbursement is made.

Our Internal Auditor, on selected transactions, checks for compliance to these requirements as part of the ongoing client file audit process. As an added quality assurance check, the Manager, Client Administration also conducts a review of one file each week.

**Recommendation 4**

**That CAOs ensure time sheets are obtained as required by the Policy and Procedure Manual.**

Implemented

**Recommendation 5**

**That where such time sheets are not considered necessary, the reasons should be clearly documented in the client's file.**

Implemented

***Actions Taken for Recommendations 4 and 5***

The requirement for client companions to submit time sheets to support payments for services rendered is clearly set out in policy and time sheets are obtained as support for all payments for companion services.

To help ensure that the services provided were agreed to and were appropriate, Client Administration Officers review and approve all invoices and supporting time sheets for companion services before payment is made.

If for any reason, time sheets cannot be obtained, policy requires that the reasons why they are not available be clearly documented on the client's file and authorization be obtained from the Manager, Client Administration to pay the bill without the supporting time sheet.

**Recommendation 6**

**That management ensure that CAOs document significant decisions regarding client care.**

Implemented

***Actions Taken***

Policy requires that all significant decisions regarding client care or assets be clearly and legibly documented on the client's file. These include decisions regarding medical consents, decisions regarding where a person will live, major financial decisions, changes in client care or living conditions, the need for companion services, and complaints raised by a client or family member along with the outcome of the complaint.

Also, there are other control processes in place that help ensure that care decisions are documented. These include:

- the requirement for care plans;
- management approval of monthly net income expenditures over \$2,500 per month;
- management approval of capital encroachments exceeding \$2,000 per year; and
- the budget review and approval process.

In addition, for selected files, our Internal Auditor checks to ensure that significant decisions are properly documented as part of the ongoing client file audit process. As an added quality assurance check, the Manager, Client Administration also conducts a review of one file each week.

Implemented

### **Recommendation 7**

**That management summarize and analyze the results of the file review process.**

#### ***Actions Taken***

A standard client file review template was developed by the Manager, Client Administration and our Internal Auditor. This template is used by the Internal Auditor for all client file audits and helps ensure compliance to Public Trustee policies.

If negative findings are identified during a client file audit, the Internal Auditor prepares a review summary and analysis report for the Manager, Client Administration. The Manager, Client Administration reviews each of these reports, and follows up with the responsible Client Administration Officer to ensure that corrective action is taken.

The Internal Auditor also prepares a monthly activity report for the Public Trustee that includes summary information from client file audits along with progress reports on other Internal Audit assignments and projects. The Internal Auditor meets with the Public Trustee monthly to discuss the activity report.

## 8.0 Department of Conservation - Sustainable Development Innovations Fund

*Original issue date: Spring 1998*

### 8.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We commend the Department for implementing 5 of our recommendations and for resolving the underlying issues for two other recommendations by implementing alternative solutions.

Outstanding recommendations deal with the need to develop outcome measures, gather related performance information and understand the full costs of operating the Fund. Department officials point to the lack of an operating budget to support such activities.

**FIGURE 6**

Status as at March 31, 2004 of Recommendations Issued in Spring 1998							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	11	5	-	3	-	1	

### 8.2 SUMMARY OF OUR ORIGINAL REPORT

#### About the Program

The Sustainable Development Innovations Fund (Fund or SDIF) was created in October 1989 to provide financial assistance towards development, implementation and promotion of environmental innovation and sustainable development projects. The Fund, which was enacted under the Environment Act was continued under the Sustainable Development Act, proclaimed in July 1998.

#### Audit Purpose and Scope

The purpose of our audit was to answer the following questions:

- Is the Fund’s purpose clearly defined and are annual objectives results-oriented and measurable?

- Does the grant application assessment and approval process ensure that the best projects are funded?
- Has an appropriate grant accountability process been developed to provide Fund management with assurance that grants are being expended for the purposes intended?
- Does the management information system gather data that is useful to management and the government in assessing whether the Fund was achieving its intended purpose?
- Is information about the Fund adequately and equitably made available to the public?
- Is sufficient, appropriate and timely program planning and performance information provided to the Legislative Assembly?

We focused our audit on practices in use during the period April 1996 to December 1997.

### Conclusions

We concluded that:

- while a purpose statement was articulated, its meaning was not clear because key terms contained within it were not defined;
- there was a need to develop annual objectives that were results-oriented and measurable;
- although eligibility guidelines were developed and department expertise was used for assessing the quality of projects, the process for assessing and approving grants should be improved in order to provide greater assurance that the best projects were funded;
- Fund management had developed an appropriate process to provide assurance that grants were expended for the approved amount and for the purposes intended;
- while valuable data was gathered with respect to certain inputs and outputs, it collectively was not sufficient to allow management or the government to assess whether the Fund is achieving its intended purpose;
- Fund management's communication techniques were adequate and equitable regarding the availability of information about the program to the public; and
- while the Fund's estimate supplement and annual report were provided on a timely basis to the Legislative Assembly, the Legislative Assembly should have been better informed about the Fund's plans and its performance in relation to its plans.

### 8.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Conservation's representations on the implementation status, as at March 31, 2004, of the recommendations from the Spring 1998 Auditor General report on the Sustainable Development Innovations Fund are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

#### Recommendation 1

**That Fund management clearly define the key terms in the Fund's stated purpose.**

Alternative Solution  
Implemented

#### *Actions Taken*

The term "social well-being" is defined in Regulation 4/2004, "Sustainability Guidelines for Local Governments, School Divisions, Universities, Colleges and Regional Health Authorities Regulation" under the Sustainable Development Act as:

*"social well-being" means the extent to which*

- a) all members of society are able to satisfy their needs and realize their aspirations; and*
- b) cultures, such as Aboriginal peoples, are able to satisfy their needs, and realize their aspirations, in relation to their languages and their cultural beliefs, customs and traditions".*

The terms "innovative" and "environmentally sustainable economic growth", have not been defined specifically. However, informational materials for the Fund's Open Category have been revised, the Fund's stated purpose as described in the Sustainable Development Act has been clarified in the informational materials, and more detailed objectives have been outlined as follows:

*"The SDIF provides funding for the development, implementation and promotion of environmental innovation and sustainable development projects delivered by local governments, industry, community and youth groups, Aboriginal organizations, and First Nation communities.*

#### *Objectives*

- 1) To support and promote innovation in the environmental and sustainable development industries.*
- 2) To encourage environmentally sound decisions and actions.*
- 3) To promote research and demonstration of new initiatives not addressed by existing programs.*

- 4) *To stimulate economic development and diversification that will improve the quality of life, and strengthen community identity, throughout Manitoba.*
- 5) *To demonstrate new approaches to prevent waste and pollution, and conserve resources.*
- 6) *To support activities that may benefit both the global and local environment."*

The informational materials also provide details about the types of projects that are eligible for support and those that are ineligible.

Similar information has been prepared for broad allocations under the SDIF, which provide funding. These are: the Environmental Youth Corps (EYC), the Manitoba Climate Change Action Fund (MCCAF), and the Waste Reduction and Pollution Prevention (WRAPP) Fund. These broad allocations are targeted to specific issue areas.

## Recommendation 2

Some Progress

**That Fund management develop annual objectives for each key performance area and that these objectives be results-oriented and measurable.**

### *Actions Taken*

Since the audit of the Fund in 1998, several new broad allocations have been introduced and others have been discontinued.

Discontinued allocations are the Environmental Industries Development Initiative (EIDI) and PST Equivalency Grants to Tire Stewardship Board (TSB) and Manitoba Product Stewardship Corporation (MPSC).

During FY 2000/01, Treasury Board redirected Retail Sales Tax (RST) from the beverage container levy and the lubricating oil levy to establish the WRAPP Fund.

In 2000/01, Treasury Board decided to retain the RST equivalency payment that had been paid to TSB. Since 2000/01, this funding has been notionally linked to the SDIF as a revenue source.

The broad allocations for FY 2004/05 are:

- Environmental Youth Corps (EYC);
- Waste Reduction and Pollution Prevention (WRAPP) Fund;
- Manitoba Climate Change Action Fund (MCCAF);
- Manitoba Forestry Association Woodlot Program;
- Orphan Mine Site Assessment Program;
- Orphan Mine Site Rehabilitation Program;
- Zebra Mussel Program.

The broad allocations are targeted to specific issue areas as grant funding programs or departmental program allocations.

Each broad allocation has a designated manager, who is responsible for tracking and reporting on activities. Managers establish and annually report on the objectives for their broad allocation.

Within the Fund's Open Category designated priority areas have also been established. The current priority areas are: regional waste management, environmental technology innovation and demonstration, northern community development and environmental issues, sustainable community development, sustainable agricultural practices, ecosystem conservation, understanding our environment, eco-tourism and water.

***Actions Planned***

With regard to the Fund's Open Category, annual objectives are somewhat more difficult to establish and monitor, given that the range of projects or activities funded is broader than those of the other broad allocations. SDIF staff monitors the number of projects received, number funded, regional distribution, distribution among priority program areas and reports on these on an annual basis.

To further address measurable outcomes, SDIF staff has proposed a monitoring project to track the number and type of projects funded over the last four years and to attempt to measure the impact of these projects on Manitoba's sustainability. This project would also encompass the development of outcome measures, to facilitate ongoing tracking of the Fund's impact. The outcome measures would also be used to assess whether the stated objectives for the open and broad categories were being achieved.

It is important to note that the SDIF does not have an operating budget to support such activities. Existing staff is fully engaged in the day-to-day activities related to the processing of projects to the Open Category and administrative support required for reporting on cash flow and expenditures to Treasury Board.

The Fund will continue to improve its informational materials and will refer to the results of the work done by the Manitoba Round Table for Sustainable Development in developing draft Provincial Sustainability Indicators. For example the draft Indicators identified eight categories of indicators that can be used to measure social-well being. Some of the indicator categories are; education, physical infrastructure, community and culture, and health.

**Recommendation 3**

**That Fund management develop and communicate clear definitions for the key terms in the eligibility guidelines and clear instructions on how the guidelines are to be used in assessing projects. We also recommend that the eligibility guidelines be included in future regulations to The Sustainable Development Act.**

Implemented

***Actions Taken***

When the Fund was transferred to the Pollution Prevention Branch of Manitoba Conservation in April 2000, all support materials, including the information brochure, the application form, and the Technical Review Evaluation Form were revised.

Efforts were made to more clearly articulate eligibility guidelines and define what was ineligible in the information material provided to proponents. The Technical Review Evaluation Form for project reviewers in the various government department and branches (assigned based on the content of the proposal) was rewritten to reflect the revisions in the public information materials and link it more closely with these materials. In particular the evaluation form now reflects the eligibility criteria which are described in the information brochure.

Regulations are not considered necessary at this time.

#### **Recommendation 4**

Implemented

**That Fund officials assess all projects against the eligibility guidelines. We further recommended that only those applications that meet the guidelines be forwarded to departments for detailed assessment of project quality and value.**

##### ***Actions Taken***

Fund staff reviews incoming applications for eligibility and may reject applications that are clearly ineligible for funding, or request additional information if necessary to assess the value of the project.

If this information is not forthcoming, or if it does not clarify the project's objectives, these applications would not be sent to departments for review. Instead the proponent would be informed that the project is ineligible for funding and the project would be withdrawn.

Most applications are not that clear cut. Applications that are questionable as to eligibility would be sent for departmental assessment of eligibility. They may be rejected at that time because of ineligibility. Departments document their assessments of eligibility on the Technical Review Evaluation Form.

#### **Recommendation 5**

Implemented

**That Fund management review and approve the criteria to be used by departments in performing their assessments and require that departmental officials document their assessments against the approved criteria.**

##### ***Actions Taken***

As previously noted, the Technical Review Evaluation Form was revised. All assessors are requested to use the template for project evaluations.

The other broad allocations providing funding, namely: the Environmental Youth Corps (EYC), Manitoba Climate Change Action Fund (MCCAF), and the Waste Reduction and Pollution Prevention (WRAPP) use similar forms and procedures.

The Technical Review Evaluation Form requires that departments assess the proposals against:

- The Fund's eligibility criteria (as discussed earlier);

- Project quality factors. Identified factors include:
  - Partner qualifications,
  - Feasibility of approach and timeliness, and
  - Future financial self sufficiency;
- Project value factors. Identified factors include:
  - Technical merit,
  - Existence of performance measures,
  - Plans for future use, dissemination or replication, and
  - Public education and awareness.

Broad-based review of projects is beneficial to the full and complete assessment of project value. Normally, more than one department or reviewer is requested to comment on projects. Rating scales from 1 to 5 are also incorporated into a number of the evaluation criteria in the Technical Review Evaluation Form to assist in rating and comparing the relative merits and value of the projects.

Fund management continues to rely on the knowledge and expertise of staff in the departments to determine the extent of the work required to assess project quality and value.

**Recommendation 6**

**That only applications recommended by departments be forwarded to the Sustainable Development Committee of Cabinet for final funding decisions. It may be appropriate to provide the Committee with a listing of those applications not being recommended.**

No Longer Relevant

***Reason Why No Longer Relevant***

In 1999 The Sustainable Development Committee of Cabinet was disbanded with the change in government.

In April 2000 the Fund was transferred to the Pollution Prevention Branch and an Advisory Committee, comprised of provincial government representatives was established.

This Advisory Committee meets at least five times annually, following project intake dates, to review proposals. The Committee makes funding recommendations to the Minister of Conservation, who has authority to approve projects of \$25,000 or less. Projects greater than \$25,000 require Treasury Board approval.

Ineligible proposals are not forwarded to Departments for technical review. These proponents are advised verbally, or by letter, fax or email as necessary. However, all proposals are listed on the Committee’s agenda, including those that Fund management or Departments do not recommend for funding support and those that are clearly ineligible. The Committee is presented with information on all the proposals that have been received by the Fund. Listing all proposals is beneficial because it:

- allows for information sharing and comment from Committee members who may have additional information on a particular proposal;
- helps to maintain a record of all submissions to the Fund;
- ensures that protocols for funding decisions have been followed.

At Advisory Committee meetings, full proposals and evaluations are made available for review. Fund management summarizes the reviewers' comments and recommendations of the departmental evaluation in the SDIF Proposal Review document. Fund management also makes verbal recommendations to the Committee for its consideration. The SDIF Proposal Review documents are provided to the Committee members a few days in advance of their meetings. The Advisory Committee's recommendation to the Minister is recorded on the Proposal Review document.

### **Recommendation 7**

Implemented

**In situations where more than one department assesses a project, and they have conflicting opinions on the project's value, that Fund management also provide the Committee with its recommendation.**

#### ***Actions Taken***

For each proposal, Fund management makes a verbal presentation and recommendation to the Committee for its consideration.

### **Recommendation 8**

Implemented

**That Fund management review the effectiveness of the current application intake process.**

#### ***Actions Taken***

Fund management reviewed the intake process and concluded that reviewing projects on a periodic basis, in conjunction with standard proposal intake dates, was better than reviewing proposals on an annual basis by type, for example water conservation projects, water waste projects, or aquatic nuisance species projects.

Standard proposal intake dates have been established for the Fund's Open Category. They are: April 15, June 15, August 15, October 15 and December 15.

The SDIF Advisory Committee meets after each project intake date to review proposals.

Project proposals can be submitted to the Fund at any time, however, the intake dates were established to enable a manageable intake and review process.

Decisions on project proposals are made 10 to 12 weeks following the intake dates.

## Recommendation 9

**That Fund management amend their grant approval letter to clearly inform recipients that cashing the cheque constitutes acceptance of the terms and conditions of the grant.**

Alternative Solution  
Implemented

### *Actions Taken*

A new process was established when the Fund was transferred to the Pollution Prevention Branch in April 2000.

All grant recipients are required to sign a funding agreement prior to receipt of funds for the Open Category, the WRAPP Fund and MCCAFA. The funding agreement is a legal and binding document that spells out how grant money is to be spent and what reporting is required.

A percentage of the grant award is withheld and may be released upon submission and acceptance of required reports.

Under the EYC Program, approval correspondence issued on behalf of the Minister specifies that cashing the cheque constitutes acceptance of terms and conditions of the grant.

The maximum grant under the EYC Program is \$5,000. These grants are paid in full.

## Recommendation 10

**That Fund management explore opportunities to make greater use of their database analysis capabilities.**

Some Progress

### *Actions Taken*

The database has been improved to enable more detailed reporting on the number of projects received, number funded, regional distribution, distribution among priority program areas, percentage of funding by priority area.

### *Actions Planned*

As noted previously in R2, to further address measurable outcomes, SDIF staff has proposed a monitoring project to track the number and type of projects funded over the last four years and to attempt to measure the impact of these projects on Manitoba's sustainability. This project would also encompass the development of outcome measures to facilitate ongoing tracking of the Fund's impact.

When this information is available, the Fund will review the database design and capabilities so that such performance information can be readily captured for analysis purposes.

Some Progress

**Recommendation 11**

**That Fund management develop a process for gathering the necessary information to be able to report on the full cost of operating the Fund.**

*Actions Taken*

Prior to April 2000, the Sustainable Development Coordination Unit (SDCU) was responsible for administration of the SDIF, as well as for administering all aspects of The Sustainable Development Act.

Upon transfer of the Fund to the Pollution Prevention Branch, administration and management of the Fund was retained within Manitoba Conservation. This was done to streamline administration and ensure more accurate and detailed reporting on projects. The Pollution Prevention Branch was designated as the administering branch under The Sustainable Development Act.

Provincial departments continue to assist with technical assessment of project proposals and project monitoring, but no longer administer grants.

The Pollution Prevention Branch provides overall administrative support for the SDIF. This includes processing applications, responding to inquiries, preparing agreements and other documentation, tracking expenditures, preparing cash flows, and reporting to Treasury Board.

In FY 2003/04 the Branch submitted a new initiative proposal to Treasury Board to establish an operating budget and requested 1.5 FTEs to assist with management and promotion of the SDIF. As part of this request, staff provided an estimate of the number of staff assisting with the Fund.

One staff person in Manitoba Conservation has full time responsibilities associated with the Fund. Five staff have varying degrees of responsibility for the Fund. These include:

- The Special Programs Officer, who provides planning and management support to the Fund and its broad allocations, as well as managing a broad allocation under the Fund.
- The Administrative Secretary who provides support for preparation of correspondence, mailings, promotion, and enquiries.
- The Director who maintains a role in management of the Fund, including chairing the interdepartmental committee, responding to queries from proponents, and briefing senior department management on Fund activities.
- Two staff from the Corporate Services Division provide administrative support for preparation of cash flow documents required by Treasury Board, and for cheque disbursement and processing.

With the exception of the Open Category, each broad allocation also has a designated manager, who is responsible for tracking and reporting on activities. Managers establish and report on the objectives for their broad allocation. The responsibilities for the Open Category are shared, as described above.

In addition to managing the granting process for the SDIF Open Category, the Branch manages two of the broad allocations: The Waste Reduction and Pollution Prevention (WRAPP) Fund and the Environmental Youth Corps (EYC).

Other staff of Pollution Prevention Branch also provide some support for monitoring of projects, processing of correspondence, responding to enquiries and Fund promotion.

The Fund has no operating budget. Costs associated with the management of the Fund, such as committee meetings, staff time, overhead, printing, copying, supplies, etc. are absorbed by the Pollution Prevention branch budget.

Costs associated with Corporate Services Division's administrative assistance to the SDIF are absorbed within the division's existing operating and salary budgets.

In the case of broad allocations managed by other departments: the Manitoba Climate Change Action Fund, the Orphan Minesite Rehabilitation Program, and the Zebra Mussel Program, these costs are absorbed by the operating and salary budgets of these departments.

#### ***Actions Planned***

Although it is difficult to estimate the total cost of administering the SDIF and its broad allocations, this is a worthwhile exercise that will be pursued when possible, considering existing resource constraints.

## 9.0 Department of Family Services and Housing - Child, Family and Community Development Branch - Agency Accountability

*Original Issue Date: Summer 1999*

### 9.1 STATUS OF RECOMMENDATIONS AS AT DECEMBER 31, 2004

The recommendations from our 1999 audit deal with the need for service purchase agreements and for more effective Departmental monitoring and analytical procedures. Our 2004 investigation of Hydra House Ltd. revealed what can happen when such critical controls are not in place. We note that progress in implementing our 1999 recommendations has been slow but that recent developments are encouraging. Most notably, in 2004 the Department created an Agency Accountability Unit. A key objective of the Unit is "to build the capacity of the Department to effectively monitor agency financial performance, and to take corrective action when necessary."

In July 2004, in response to our investigation of Hydra House Ltd., the Department established an Implementation Team to create an action plan to improve accountability and transparency in the use of public funds. The January 27, 2005 report of the Implementation Team entitled Improved Financial Accountability Framework for Family Services and Housing has more than 50 recommendations for the Department. The report states "... the Implementation Team encourages the Department to move forward as quickly as possible to assign the necessary resources to develop and proceed with the detailed work plan (including a plan to engage agencies) and a monitoring/reporting system in order to achieve the Department's desired objectives for an improved accountability framework in a timely manner". We concur with this sentiment.

**FIGURE 7**

Status as at December 31, 2004 of Recommendations Issued in Summer 1999							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	6	-	2	4	-	-	

## 9.2 SUMMARY OF OUR ORIGINAL REPORT

### About the Program

Services to Manitoba children and families are provided by the Department of Family Services and Housing under the authority of The Child and Family Services Act. The Act was proclaimed on March 1, 1986 and states that the fundamental principles guiding the provision of services to children and families are:

- the best interests of children is a fundamental responsibility of society;
- the family is the basic unit of society and its well-being should be supported and preserved; and
- families are entitled to receive preventative and supportive services directed to preserving the family unit.

The Child, Family and Community Development Branch (Branch) of the Department administers the Act. Services under the Act include support of community groups, assistance to families, child protection, child placement and services to under age and single parents.

At the time of the audit, there were five regional offices of the Department, province-wide, and 13 external agencies that were mandated under the Act to provide the services noted above. As well, services were acquired by the Branch from 29 non-mandated agencies that provided a range of preventative services to children, families, and to under age and single parents.

### Audit Purpose and Scope

The purpose of our audit was to answer the following four questions:

- Has the Branch developed and implemented an appropriate agency accountability framework?
- Is the Branch obtaining the operational and financial accountability information needed to assess agency performance?
- Has the Branch made reasonable progress in defining or further developing performance measures for funded programs?
- Is sufficient, appropriate and timely program planning and performance information provided to the Legislative Assembly?

The audit focused on the Branch's agency accountability processes in place during the period April 1997 to December 1998. The audit did not assess the quality of care provided by these agencies. The examination of the accountability processes did not include the services provided by the Department's regional offices.

### Conclusions

We concluded that:

- an appropriate accountability framework had been developed. However, while key elements such as program policy guidelines, service standards and funding models had been implemented, considerable

implementation effort was still required before the full benefits of the framework could be enjoyed by the Branch.

- with respect to operational performance, the Branch obtained, through its quality assurance process, the assurance it required on agency compliance to Branch policies and service standards. However, with respect to financial performance, while the majority of agencies complied with some of the information requirements, the Branch was not ensuring that all accountability information needed, as defined in the Agency Reporting Requirements, was received, analyzed and acted upon.
- the Branch had made reasonable progress in defining and further developing performance measures for funding programs.
- while the Department’s estimates supplement and annual report were provided on a timely basis to the Legislative Assembly, these documents should better inform the Legislative Assembly about the Branch’s plans and its performance in relation to its plans.

### 9.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Family Services and Housing’s representations on the implementation status, as at December 31, 2004, of the recommendations from the Summer 1999 Auditor General report on the Child, Family and Community Development Branch - Agency Accountability are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department’s representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

#### Recommendation 1

**That Branch management negotiate, within a reasonable time period, service purchase agreements with all remaining agencies, and that an implementation plan be developed.**

#### *Actions Taken*

In response to the Auditor General’s Report entitled Investigation of Hydra House Ltd. and A Review of the Related Department of Family Services and Housing’s Financial Accountability Framework, the Minister of Family Services and Housing announced a five-point action plan aimed at addressing the recommendations in the Report. An interim third party Manager, Mr. L. LeVan Hall was appointed to monitor and ensure financial accountability.

One of the main points in the plan was the appointment of an Implementation Team, in July 2004, to create an action plan for improved accountability and transparency for the use of public funds.

Significant Progress

Financial review capacity is being developed within the Finance and Administration Division of the Department. The Agency Accountability Unit (AAU) has been created and will be responsible for the maintenance of Service Purchase Agreements (SPAs) and following up on Agency Reporting Requirements (ARRs).

In August 2004, two workgroups were struck to deal with SPAs and ARR's while long-term capacity is being developed within the department. The SPA work group was created to complete as many SPA's as possible within the time available to them. The Child Protection Branch and Family and Community Support Branch have completed, or are in the process of finalizing the majority of the SPAs (see **Figure 9**). Although the Child Protection Branch's (CPB) objective is to finalize all SPA's by March 31, 2005, rationalization and justification of service and administration grants paid to child caring treatment centres (CCTC) is prolonging the process.

**FIGURE 8**

Master List of Agencies for the Working Group						
Agency	Total New	Expired	Total Expired	Active	Total Active	Status
<b>Children's -- External Agencies &amp; Community Support Program</b>						
Andrews Street	-		-	Mar.31/07	1	
B & L Homes	-		-	Mar.31/05	1	
Big Brother/Sister	-		-	Mar.31/06	1	
CFS General Authority	1		-		-	SPA in development
Child Protection Centre	-		-	Apr.1/06	1	
Dauphin Friendship Centre	-		-	Mar.31/07	1	
Elizabeth Hill	-		-	Mar.31/07	1	
Family Centre	-		-	Mar.31/07	1	
First Nations Family Justice Project	-		-	Mar.31/05	1	Renewed annually
First Nations Northern CFS	1		-		-	SPA in development
First Nations Southern CFS	1		-		-	SPA in development
Jessie Group Home	1		-		-	SPA in development; <b>To be reviewed by Board February 7/05</b>
Knowles Centre	1		-		-	SPA in development
Lynn Lake Friendship Centre	1		-		-	SPA in development
Ma Mawi Wi Chi Itata Centre	-		-	Mar.31/07	1	
Macdonald Youth Services	1		-		-	In process
Marymount Inc.	1		-		-	SPA in development
Metis CFS	1		-		-	SPA in development
Mount Carmel Clinic	1		-		-	SPA in development
Ndinawemaaganag Endaawaad	-		-		-	SPA in development
New Directions for Children, Youth and Adults	-	Mar.31/04	1		-	Renewal in process; <b>Revised draft sent to Agency</b>
Pregnancy & Family Support	-		-	Mar.31/07	1	
Project Neecheewam	1		-		-	SPA in development
Quest Group Home	1		-		-	SPA in development
Rossbrook House	-	Mar.31/04	1		-	SPA sent to Agency shortly for signature
Samaritan House	1		-		-	SPA in development
The Pas Action Centre	1		-		-	SPA in development
Villa Rosa	-		-	Mar.31/06	1	
Winnipeg Boys & Girls Clubs	-		-	Mar.31/07	1	
Winnipeg School Division (William Whyte School)	-		-	Mar.31/07	1	
<b>TOTAL</b>	<b>15</b>		<b>2</b>		<b>13</b>	<b>30</b>

Note that this does not include mandated agencies. These agencies are now under the jurisdiction of the new CFS Authorities. The SPAs will be between the CFS Authorities and the Department of Family Services and Housing.

### ***Actions Planned***

There are a series of recommendations put forth by the Implementation Team, in their report of January 2005 entitled Improved Financial Accountability Framework for Family Services and Housing, which will strengthen the Department's accountability and financial review capacity. Although this report is still under review, recommendations include:

- developing an integrated risk assessment framework;
- entering into written agreements/SPAs with all external agencies receiving funding from the Department;
- reviewing the current SPA and develop more than one template; and
- that written agreements be coordinated centrally within the Department under the Agency Accountability Unit.

## **Recommendation 2**

Some Progress

**That Branch management conduct, on at least a bi-annual basis, detailed comparative analyses of agency expenditures against the approved funding models. When these analyses indicate significant variances, the Branch should determine whether funds are being appropriately spent on approved programs or update the input elements of its funding models to reflect the significant or permanent changes to agency circumstance.**

### ***Actions Taken***

During the process of negotiating service purchase agreements, detailed information has been collected regarding the actual expenditures of the agencies.

### ***Actions Planned***

This information will allow the Child Protection Branch to identify irregularities and variances in expenditures between agencies providing similar services. Analysis of the financial information will be used to compare against current funding models and to identify shortfalls in funding levels.

Ongoing analysis of the agencies' annual budgets will be used to determine if funds are being expended in a manner that is consistent with the terms of the SPA.

## **Recommendation 3**

Some Progress

**That Branch management review agency budgets, in the absence of service purchase agreements, to determine whether they are consistent with the approved funding levels. We also recommend that the Branch develop a process to ensure agency budgets are received in a timely manner.**

**Actions Taken**

As noted in Recommendation 2, the process of negotiating service purchase agreements has provided the Child Protection Branch the ability to identify variances in expenditures between agencies and comparison to current funding models.

**Actions Planned**

Given that SPAs will be in place with the majority of the funded service providers by March 31, 2005, the Child Protection Branch's efforts will be focused on reviewing annual budgets to ensure they are consistent with the terms of the service purchase agreements.

The recently formed Agency Accountability Unit will ensure that agencies submit their total annual budget and operation plan to the Department by the end of April.

**Recommendation 4**

**That Branch management initiate timely actions to obtain the information it needs from agencies which have not complied with their reporting obligations.**

Significant Progress

**Actions Taken**

As noted in the Department's response to the Auditor General's report on Hydra House Ltd. the Child Protection Branch's long-term review capacity has been enhanced since March 2004. A part of the Minister of Family Services and Housing five-point action plan, two workgroups were struck to deal with ARRs and SPAs. The ARR Work Group has been working with funded service providers to achieve compliance with current ARR in conjunction with appropriate staff from other Divisions. In addition, the Work Group will provide training and assistance to staff to assist them in monitoring and analyzing all ARRs.

**Actions Planned**

The Agency Accountability Unit will be implementing the recommendations of the Implementation Team that will focus on the amending of the financial reporting requirements and consolidate expenditure categories on which agencies must report, based on a level of significance and risk assessment, with the view of simplifying reporting processes. Consideration will also be given to incorporating the provision for withholding funding, pending compliance with the terms of the agreements/SPAs.

**Recommendation 5**

**That Branch management ensure an appropriate degree of analytical effort is conducted for various levels of financial commitment and amend its policies and procedures, including documentation requirements, accordingly.**

Some Progress

**Actions Taken**

The Agency Accountability Unit will be developing a risk assessment tool to assist in determining the level of reporting requirements for agencies. Reporting requirements include variance analyses.

## *Actions Planned*

Revised ARRs will be implemented when approved and the Department will review its analytical efforts at that time.

## **Recommendation 6**

Some Progress

**That Branch management expand the nature of information provided to the Legislative Assembly to include, as it becomes available, information on the planned and actual performance of the Branch.**

## *Actions Taken*

The CPB continues to provide information to the Legislative Assembly through the annual Estimates process and the Annual Report. Updates regarding current/critical issues continue to be provided to Government via briefing notes and submissions.

## *Actions Planned*

The Department is in the process of implementing a strategic management framework which is inclusive of existing planning and reporting processes. The Child and Family Services Division is also in the process of developing and implementing a framework and cycle that includes strategic management and accountability. This structure will include processes to determine performance attributes necessary for reporting purposes over the next two years.

# 10.0 Department of Justice - The Fine Option Program

*Original issue date: March 2001*

## 10.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We commend the Department for implementing many of our recommendations. In addition, we note that the Department’s report indicates reasonable dates by which the remaining two recommendations will be addressed.

**FIGURE 9**

Status as at March 31, 2004 of Recommendations Issued in March 2001							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	7	5	-	1	1	-	-

## 10.2 SUMMARY OF OUR ORIGINAL REPORT

### About the Program

The Fine Option Program (Program) was enacted under Section 21(1) of The Summary Convictions Act. The Program is governed by Manitoba Regulation 17/83 and was revised through subsequent Manitoba Regulations 238/85 and 178/88.

The Program, which is administered by the Corrections Division of the Department of Justice, was established “to authorize an offender to perform certain unpaid community service work in lieu of the payment of a fine imposed on the offender.”

The primary goals of the Program include:

- providing offenders who are unable to pay fines with an alternative through community work;
- reducing the cost of collecting fines and the incidence of arresting fine defaulters; and
- promoting community participation in the criminal justice system.

The Department of Justice enters into agreements with Community Resource Centres (CRC) to deliver the Program in their community. CRCs are non-profit organizations, local governments or First Nations Councils. The Province pays a work placement fee to each

CRC for the services provided. There are approximately 150 CRCs located throughout the Province.

The CRC are responsible for recruiting a sufficient number of work centres in their region for the work placement of registered offenders. Non-profit organizations or branches of government are eligible to serve as work centres under the Program.

The hours of community work required to be performed by the offender depend on the amount of the fine imposed. Offenders are credited for hours worked at a rate equivalent to the Manitoba minimum wage rate.

### **Audit Purpose and Scope**

The purpose of our audit was to determine if the Fine Option Program is being administered in accordance with the current Regulation and policies governing the Program. Specifically, we examined those authorities relating to:

1. establishment and administration of CRCs and Work Centres;
2. registration and work placement of offenders; and
3. monitoring of work performed by offenders.

We focused our audit on Fine Option Program registrations in the 1998 calendar year. We also visited five CRCs.

### **Conclusion**

We concluded that the Fine Option Program was being administered in accordance with the current Regulation and policies governing the Program, except for one area. The policy which required the CRC contact persons to take special precautions when dealing with offenders who have a history of violence or sexual offences was not being effectively applied. There was no screening process in place, and relevant information on the history of offenders that would enable the contact person to take special precautions, was not readily available to the contact persons. Consequently, there was no practical means for the contact persons to identify these high risk offenders before assigning them to work centres.

We also identified opportunities to improve the training for CRC contact persons and the documentation and monitoring regarding offender registrations and work performance.

## **10.3 REPRESENTATIONS OF THE DEPARTMENT**

The Department of Justice's representations on the implementation status, as at March 31, 2004, of the recommendations from the March 2001 Auditor General report on the Fine Option Program are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

## Recommendation 1

**That the Manager of the Fine Option Program develop a cyclical schedule for reviewing CRCs across the Province. CRCs with a new contact person should be reviewed within a year of when the contact person received their initial training. Less frequent reviews would be appropriate for CRCs with more experienced contact persons.**

Some Progress

### *Actions Taken*

In the rural areas, reviews are being conducted every 2 to 3 years. In Winnipeg, the designated Community Corrections Coordinator (CCC) meets with Winnipeg CRCs contact persons every 8 to 10 weeks and performs mini-reviews. The Winnipeg CRCs are well established and any issues are addressed promptly.

### *Actions Planned*

The Fine Option Program Manager has asked all Community Corrections Coordinators to submit by September 15, 2004, a list of all their CRCs, indicating a date of the last review with that CRC. In order to maintain a consistent schedule for a CRC review throughout the province, the Program Manager is proposing that reviews be completed within the following timelines:

- 1) Well established CRCs – every 3 years;
- 2) New CRCs – within the first year of operation;
- 3) Problematic CRCs – an annual review until they are functioning effectively; and
- 4) New contact persons at any CRC – within the first year of assignment and annually until they have met the standards.

## Recommendation 2

**That the Manager of the Fine Option Program develop an orientation checklist for training new contact persons. A copy of the completed checklist should be sent to the Program Central Office prior to the contact person registering offenders in the Program.**

Significant Progress

### *Actions Taken*

An orientation checklist used for training new contact persons has been developed by one of our CCCs and is available to all CCCs.

### *Actions Planned*

A meeting of CCCs is planned for October 2004 whereby the orientation checklist and any others used by CCCs will be reviewed and a standard orientation checklist will be drafted.

Implemented

**Recommendation 3**

**That the Manager of the Fine Option Program develop an appropriate screening process for all contact persons to follow when registering new offenders.**

*Actions Taken*

Since all registrations must be processed by the Central Fine Option Program office, the registration clerks check all new clients through the automated Corrections Offender Management System for the following offences: all sexually-related charges, arson, domestic violence, any assaultive or violent offences. If the system identifies any new clients as having violent or sexual convictions, the clerk immediately notifies the CRCs. In addition, all offenders with supervised probation who have been ordered to complete community service work are screened by their respective probation officers for the same offences. We have also implemented a declaration form which is used to question the clients about previous arrests or convictions related to the aforementioned offences. These forms are signed by the clients.

Implemented

**Recommendation 4**

**That the Manager remind the contact persons of the importance to take special precautions when dealing with offenders who have a history of violence or sexual offences.**

*Actions Taken*

Formal directives were issued to all CRC contact persons to be aware of, and develop appropriate work placements for, offenders who have a history of violent or sexual offences. Due to limited supervision at certain work sites or their identified unsuitability, some CRCs do not accept these types of offenders.

The only CRC in Winnipeg which deals with sexual offenders is the Salvation Army. On July 7, 2004, the process of work placement and supervision was reviewed with the CRC contact person and the Program Manager is satisfied that special precautions are taken to ensure public safety.

Implemented

**Recommendation 5**

**That Central Office follow-up missing registrations on a timely basis and initiate corrective action whenever necessary.**

*Actions Taken*

In regards to missing registrations, the Central Office registration clerks contact the CRCs directly on a monthly basis to remind them to submit the missing documentation before payment can be issued. Should the CRC fail to respond, the CCC is then notified and regularly reminded to retrieve the missing registration until it is submitted. The problematic CRCs are referred to the Program Manager who, in turn, will consult with the

CCC and the Area Director of the respective region. If the contact person continues to be uncooperative, the Program Manager may disqualify the CRC from operating and direct the Central Office to terminate any dealings with that CRC.

### **Recommendation 6**

**That Community Corrections Coordinators issue reminder notices to CRC contact persons regarding their responsibilities for submitting fine notice documents, preparing offender contact sheets and ensuring offender work placements do not start work prior to registering in the Program. These responsibilities also need to be monitored on an ongoing basis and corrective action taken as necessary.**

Implemented

#### ***Actions Taken***

All these steps are covered by the CCC during the initial training, using the CRC Manual. In addition, the Central Office registration clerks monitor the registration and court documents, and automatically advise each CRC to promptly submit the required registration and fine documents. Upon receipt of documents, the clerks verify all information. If the required documentation is incomplete, incorrect, or missing, the paperwork is sent back to the CRC. Payment is not issued to the CRC until the Central Office is satisfied that the documentation is accurate and complete.

### **Recommendation 7**

**That Community Corrections Coordinators initiate periodic reviews of the quality of work performance sheets and initiate corrective action whenever errors or deficiencies are identified.**

Implemented

#### ***Actions Taken***

Formal policies are in place requiring the Central Office registration clerks to check all the paperwork submitted, including work performance sheets. If the forms are incomplete or unsatisfactory, the clerks will inform the respective CRC. If the CRC does not cooperate, the CCC will be notified as the latter is responsible for ensuring that their CRCs submit all the relevant documentation which must be completed satisfactorily before payment is issued.

## 11.0 Agassiz School Division

*Original issue date: March 2001*

### Subsequent Events

As of the 2002/03 school year, the Agassiz School Division and rural portion of the Transcona-Springfield School Division have been amalgamated into the Sunrise School Division.

The Secretary-Treasurer and Superintendent of the defunct Agassiz School Division and all but two members of the Board of Trustees are no longer associated with the new Sunrise School Division. A new Superintendent and Secretary-Treasurer were hired and a new Board elected.

### 11.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We commend the Sunrise School Division for substantially addressing all of our recommendations in a timely manner. We note that only one recommendation requires further action.

FIGURE 10

Status as at March 31, 2004 of Recommendations Issued in March 2001							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	6	4	1	1	-	-	

### 11.2 SUMMARY OF OUR ORIGINAL REPORT

#### Audit Purpose and Scope

In response to the sudden resignation of their Secretary-Treasurer in August 1999, the Board of Trustees (Board) of the Agassiz School Division (ASD) expedited the completion of the 1999 annual financial statement audit of the Division. The audited financial statements of ASD for the fiscal year ended June 30, 1999 reported a net operating deficit of \$1.15 million.

In November 1999 the Chairperson of ASD, through the Minister of Education and Training, requested that the Office of the Auditor General conduct a review of the circumstances that led to the deficit.

The purpose of our audit was to answer the following questions:

- What were the conditions contributing to the ASD deficit for the fiscal year ended June 30, 1999?
- What is the financial condition of ASD for the fiscal year ended June 30, 2000?
- How effective was the governance process at ASD?

## Conclusions

The budgeting, expense control, monitoring and co-ordination processes that were in place at ASD for the fiscal year ended June 30, 1999 were weak. The combination of an operating budget that was unrealistic, a serious lack of expense and monitoring control and poor communication resulted in an ineffective financial management system that culminated in a significant deficit.

The ASD Board made a strong commitment towards controlling the division's finances for the fiscal year ending June 30, 2000. Despite the burden of a possible second consecutive million-dollar deficit, ASD has managed its financial affairs sensibly. The deficit reduction plan implemented by ASD succeeded in eliminating the prospect of a significant deficit for the fiscal year ended June 30, 2000.

It is clear that issues existed in the governance process and practices of the ASD Board. While we do not question the commitment nor the ability of the current members of the Board, we believe that improvements can be made in the role clarity and decision-making processes of the Board. Further, the Board failed to effectively monitor the actions of its administration.

It is our belief that the governance issues that existed at ASD may have arisen at any school board in a similar set of circumstances. Effective school board governance takes hard work and sustained effort. As with most human enterprises, it can always be improved. The result of that effort is improved organizational effectiveness, and clearer accountability processes.

## 11.3 REPRESENTATIONS OF THE DIVISION

The Sunrise School Division's representations on the implementation status, as at March 31, 2004, of the recommendations from the March 2001 Auditor General report on the Agassiz School Division are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Division's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Division.

Implemented

**Recommendation 1**

**That the Board direct the Superintendent and the current Secretary-Treasurer to work cooperatively to develop a report setting out their recommendations for strengthening the budgeting and expense control processes. Upon receipt of this report, the Board should challenge the recommendations, and then direct management to implement those recommendations it agrees with. At the same time, it should arrange for regular progress reports to be provided to the Board until all the recommendations have been fully implemented.**

*Actions Taken*

The Board of Trustees has implemented the finance committee to review the financial position of the school division, for both actual and projected expenses, on a monthly basis. The committee then reports their findings to the full Board of Trustees during a regular meeting.

The budget process involves the review of the budget by departments and projects. At various times through the process, discussions and reporting occurs with all educational partners, being Parent Advisory Councils, Principal, Municipal Officials and Taxpayers.

In addition, purchasing policies have been established where a member of the finance committee must approve any purchase over \$5,000 and also must sign all contracts entered into by the division.

**Recommendation 2**

Implemented

**That the Board set aside some time to discuss governance issues specifically. The use of a professional facilitator may be beneficial. This could be the start of an ongoing dialogue around the best practices and solutions that suit this Board’s unique situation.**

*Actions Taken*

In October 2002, at the time of amalgamation, a School Board Operations policy was established in the division. The policy was developed by the Division Superintendent and adopted by the new Board.

The Board recognizes the benefits of MAST training and these sessions are attended on a voluntary basis.

**Recommendation 3**

Alternative Solution  
Implemented

**That the Board consider the merits of site-based management for its schools.**

Such a system allows the decision for the expenditure to be made at the level where the need for the expense is best understood.

*Actions Taken*

The school sites are partially site-based managed, with certain funds being withheld by the division to ensure that the schools with the greatest need are being addressed. As an example of this is computerization, if funds were allocated to each school, some schools could not afford to purchase sufficient equipment to run programs.

**Recommendation 4**

**In conjunction with the above recommendation, that the division consider the formation of a purchasing department to take advantage of block purchasing opportunities by all division schools. Such a department should have a means of monitoring expenditure versus budget amounts to prevent unwarranted overages.**

Implemented

*Actions Taken*

The Sunrise School Division has hired a Purchasing Agent who is taking advantage of block purchasing, tendering for materials and taking advantage of relationships with Winnipeg School Division to piggy back on tenders they have entered into to save the Sunrise School Division money.

**Recommendation 5**

**We recommend that the Board direct the Superintendent and Secretary-Treasurer to include this issue (matching of provincial funding to programs) in their report on ways to improve the budgeting and expense control processes.**

Implemented

*Actions Taken*

The budget process includes a number of milestones that include: the budget proposal; public meetings; discussions with educators, draft budget and budget adjustment; final public meeting; and passage of budget. This process ensures that provincial funding is matched to the proper programs.

**Recommendation 6**

**That the Board assign responsibility for the recording and retention of board and committee meeting minutes. It should establish policies around this issue and then take steps to ensure that the policies are implemented.**

Significant Progress

*Actions Taken*

The responsibility of recording minutes has been assigned to the Liaison Officer assigned to the respective committee. The committee minutes are included in the next regular Board agenda once the committee meeting has been completed.

The recording of regular and in-camera minutes of the Board is the responsibility of the Secretary-Treasurer. There is a record of both the regular and in-camera minutes of the Board in the Division office and a copy of the in-camera minutes maintained off-site.

Both the Chairperson of the Board and the Secretary-Treasurer of the Division keep a signed copy of the in-camera minutes.

***Actions Planned***

The responsibilities for minute recording will be established in policy shortly.

## 12.0 Lions Club of Winnipeg Housing Centres - Department of Family Services and Housing

*Original issue date: March 2001*

### Subsequent Event

As at June 2001, the operations of the Lions Club of Winnipeg Housing Centres have been overseen by a Lions Management Committee comprised largely of representatives from the Department of Family Services and Housing.

### 12.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We are pleased with the progress made by the Department of Family Services and Housing in implementing our recommendations. We note that full implementation of four of the ten recommendations not yet fully implemented (Recommendations 6, 9, 13 and 18) cannot occur until after control of the LCWHC is returned to the Board.

We note that the Department has taken a narrower interpretation of recommendation 15 than we had intended. We recommended that *“the Department make it a condition of providing public monies to not-for-profit organizations, that neither individual board members nor their companies benefit from the public monies”*. While this concern was addressed regarding the Lions Club of Winnipeg Housing Centers, no action was taken by the Department regarding all the other not-for-profit organizations that receive financial support from the Department. We encourage the Department to act on this recommendation with the scope intended.

**FIGURE 11**

Status as at March 31, 2004 of Recommendations Issued in March 2001							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
Total	41	28	-	6	4	-	3

## 12.2 SUMMARY OF OUR ORIGINAL AUDIT REPORT

### About the Housing Centres

Lions Club of Winnipeg Housing Centers (LCWHC) is a not-for-profit organization sponsored by the Lions Club of Winnipeg. The Board of Directors of LCWHC consists of volunteers. The Mission of LCWHC is “to serve the evolving needs of seniors, families, and the community through specifically designed facilities, personalized services, and programs based upon wellness principles”. LCWHC owns and operates a number of housing properties for seniors and families for which funding agreements were in place with the Canada Mortgage and Housing Corporation (CMHC).

Pursuant to the Social Housing Agreement with CMHC dated September 3, 1998, the Province through the Manitoba Housing and Renewal Corporation (MHRC) assumed responsibility for CMHC programs. The Province assumed administrative responsibilities over CMHC agreements with LCWHC effective April 1, 1999.

### Audit Purpose and Scope

Due to MHRC concerns that were beginning to be raised since this transition, and the request by LCWHC for additional funding support, the LCWHC was advised by the Province that a comprehensive review of all LCWHC operations would be required before further support would be contemplated.

The Province subsequently offered assistance to the LCWHC board in the summer of 2000 conditional on a proposal that LCWHC enter into an agreement to establish, on an interim basis, a management committee made up of a majority of provincial representatives together with LCWHC representatives. The intent was that this committee would provide the Province with a temporary monitoring role. As well the Province determined that the Office of the Auditor General would be requested to perform a Special Audit.

On July 14, 2000, the Office of the Auditor General was requested by the Minister of Finance to perform a Special Audit of the LCWHC to:

- Determine the financial well being of LCWHC as a whole; and
- Examine the appropriateness of financial transactions over the last three years.

The Special Audit generally covered the period from April 1, 1997 to September 30, 2000.

### Conclusions

Losses over the past three years (April 1, 1997 to March 31, 2000) have eroded the equity position of LCWHC and have placed a serious financial strain on the entities. Contributors to this current financial position include:

- incomplete and inaccurate financial information that negatively impacted decision-making; and
- questionable decisions regarding the future direction of the organization (LHC Associates; West Broadway Housing; Wilson House; 333 Maryland Building; 677 Portage Avenue Building; Lions Cove).

Financial well-being will need to be addressed by this organization in the larger context of future corporate governance, strategic direction, financial management and accountability.

#### *Corporate Governance*

- Governance reviews that we have conducted indicate that it is not uncommon for a board, especially a not-for-profit board, to experience from time to time, some of the issues noted in our full report. Some of these issues include:
  - An inappropriate balance of power that resided with the Executive Director;
  - Conflicts of interest or perceived conflicts of interest;
  - Lack of clarity regarding the specific roles, responsibilities and functions of the Board; and
  - The type and format of Information received by the Board was not conducive to effective decision making.

However, we believe it is unusual for such a wide range of governance issues to exist for such a considerable period of time, without being addressed. We believe that the poor governance practices contributed to poor decision-making. We also believe that a reasonable person would perceive that the significant business some Board members obtained from LCWHC activities may have contributed to a lack of concern with governance issues.

#### *Strategic Direction*

- Although, it is easy to see with hindsight, that the business plans for LHC Associates Limited were unrealistic, we believe that a prudent Board and management would not have embarked on this risky venture, nor have continued with it when it became apparent it was failing on all fronts.
- The expectation to break even on the sale of West Broadway Housing properties was unrealistic given:
  - the extensive level of renovations that were planned;
  - administration and carrying costs that were foreseeable; and
  - the reality that properties in the West Broadway area of the city have a limit on their maximum market value.

Estimated total losses on West Broadway Housing activities are \$491,400 to date. When the grants received of \$162,800 are taken into account, the amount of money actually lost on this initiative to date totals \$654,200.

#### *Financial Management*

- The commingling of funds has contributed to:
  - an inability of LCWHC to demonstrate that it has initially used government grants and charitable donations for the purposes intended;

- inadequate financial reporting to the Board;
  - inadequate controls over the operation of LCWHC entities; and
  - a lack of transparency in LCWHC's financial reporting.
- In many instances, LCWHC has not documented the basis for cost allocations. It is possible that some of these allocations may have resulted in overpayments by the Province to the LCWHC entities affected.
  - Replacement reserve funds were not available for use at March 31, 2000 as required under the Lions Place, Lions Gate, Lions Manor and Lions View agreement with Manitoba Housing and Renewal Corporation (formerly a Canada Mortgage and Housing Corporation responsibility).

### *Accountability*

- Numerous breaches of funding agreements have occurred including:
  - Advances to related parties which contravene the prohibition against encumbrances and lending;
  - Audited financial and other statements not submitted when required;
  - Monthly financial information not provided to the Winnipeg Regional Health Authority;
  - Hypothecation of investment funds which were only to be used for MHRC (formerly CMHC) approved repairs and capital replacement; and
  - Reserve funds not being held in a special bank account as required.

## 12.3 REPRESENTATIONS OF THE DEPARTMENT

The Department of Housing and Family Service's representations on the implementation status, as at March 31, 2004, of the recommendations from the March 2001 Auditor General report on the Lions Club of Winnipeg Housing Centre are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

**Recommendation 1**

That additional adjustments as described in Section 4.2 (see Audit Report) be made by LCWHC prior to finalizing the draft financial statements of March 31, 2000 for Lions Manor, LHC Associates and Lions Cove.

Implemented

**Actions Taken**

The additional adjustments recommended by the Auditor General were made to the March 31, 2000 financial statements for Lions Manor, LHC Associates and Lions Cove.

**Recommendation 2**

That LCWHC review the tax implications associated with the write down of the advance from Lions Manor.

Implemented

**Actions Taken**

Tax implications were reviewed by LCWHC auditors. Tax implications would only occur to LCWHC in the event that LHC Associates was wound-up.

It was determined by the Lions Management Committee that it would be in the best interest of LCWHC for LHC Associates to remain inactive.

**Recommendation 3**

In October 2000 that additional monies not be advanced to LCWHC based on LHC Projections. (No funds have been advanced to date.) We continue to recommend that no additional funds other than those currently being advanced under existing service agreements not be provided to LCWHC until the concerns in our report have been satisfactorily addressed.

Implemented

**Actions Taken**

No additional funds advanced.

**Recommendation 4**

That legal advice be sought as to the advisability of the same persons meeting at the same time acting as a Board for multiple LCWHC entities in order to avoid conflicts of interest as between LCWHC entities.

Implemented

**Actions Taken**

Legal advice was sought in early 2004 from an outside firm and from Civil Legal Services.

Pursuant to legal advice, LCWHC reorganized the structure, as follows:

- Lions Manor now acts as the manager and agent for each of the LCWHC entities;

- New operating agreements between MHRC and appropriate LCWHC entities are being developed reflecting these changes; and
- All financial management is separated and an agreement with a major Winnipeg health centre for shared financial services is in place, including the services of a Chief Financial Officer.

While this structure does not completely alleviate conflicts of interest, it does address the following issues raised by the Auditor General:

- Lack of transparency;
- Commingling of funds; and
- Poor financial management and accountability.

LCWHC has also implemented a conflict of interest policy for the LCWHC board members.

### **Recommendation 5**

Implemented

**That the accountability relationships of the LCWHC Board be clarified with respect to the various corporate entities it oversees.**

#### ***Actions Taken***

A Roles and Responsibilities policy was developed and became effective April 1, 2002. This policy outlines the responsibilities of the board of directors for the LCWHC.

Included in this policy are the following responsibilities:

- Directors are independent of the CEO and the Housing Centres. They provide direction, monitoring and oversight of LCWHC performance and accountability;
- Ensure CEO's accountability for monitoring and evaluating LCWHC performance, operations and finance, compliance with by-laws and regulations and enforcement of policies;
- Broad oversight authority over all facets of the organization; and
- Recognized the need for consideration of governance structure.

### **Recommendation 6**

Some Progress

**That the Board develop an overall strategic plan for the organization that ensures a systematic approach to sustaining the properties, planning for future directions, and monitoring of organizational performance.**

#### ***Actions Taken***

The LCWHC has completed go-forward budgets for 2003/04 through to 2008.

An annual planning cycle for Board and Committee review of operating activities has also been developed.

**Actions Planned**

LCWHC will implement its annual planning cycle process when management and control are returned.

LCWHC board approval of a “Strategic Planning Policy” is anticipated. A draft policy statement dated May 13, 2002, was included in information provided to LCWHC board at a Board Governance Workshop, by a management consultant hired by the Lions Management Committee.

The anticipated strategic planning process includes annual approval by the LCWHC board of a Strategic Plan based on key elements such as an LCWHC Financial Plan (Revenue Projections, Operations Expenses; Capital expenditures); LCWHC Business Plans; and Departmental Budgets, with appropriate timelines provided for activities leading to a Strategic Plan.

**Recommendation 7**

**That the responsibilities and functions of board members be clearly defined. It is not appropriate to leave the “real” governance work to others, whether it be more senior Board members or the Executive Director. Board orientation and development is a necessary part of effective Board membership and should occur whenever a new member is brought on the Board.**

Implemented

**Actions Taken**

The board of directors has established the following policies:

- A Roles and Responsibilities policy outlining the responsibilities of the board of directors for the Lions Club of Winnipeg Housing Centres;
- Evaluation – Board of Directors policy, effective May 13, 2002, outlines the necessity of the board to evaluate their overall effectiveness, meeting effectiveness, committee effectiveness and CEO performance. Additionally, these evaluations and any necessary changes will be discussed and agreed to at the board meetings following the assessment;
- Evaluation – Chief Executive Officer policy, effective May 30, 2002, outlines the means by which the CEO will be evaluated before the end of each financial year. This evaluation will include self-evaluation, board or committee evaluation, senior staff evaluation and review of overall performance. Action for improvements and any necessary changes will be discussed and agreed to at board meetings following the evaluation; and
- Education and Development policy, effective May 30, 2002, indicates that a program of continuing education and development for the board shall be implemented.

Implemented

### Recommendation 8

**That boards be comprised of a mix of individuals who bring a variety of experience, values, and perspectives to the table.**

The requirement that LCWHC Board members have to be Lions Club of Winnipeg members is a limitation on the cross-section of expertise available to the LCWHC Board. This practice should be reconsidered given the small Lions Club membership (54) from which to draw.

#### *Actions Taken*

Participation on the LCWHC Board has been expanded to include members of other Lions Clubs in the Winnipeg area. The membership pool that LCWHC can now draw upon is large enough to have an adequate cross-section of expertise.

Significant Progress

### Recommendation 9

**That the Board monitor budget expenditures and variances, and ensure that it receives comprehensive business plans linked to financial budgets in making future decisions. The sole reliance on internal management for all information also needed to be addressed by this Board, as multiple sources of information can provide new perspectives and alternatives.**

#### *Actions Taken*

Non-core business activities were eliminated by the Lions Management Committee. The LCWHC has completed go-forward budgets for 2003/04 through to 2008.

In order to reduce reliance on internal management for all information, the LCWHC has set up a finance committee structure based on by-laws that were approved September 26, 2002. The finance committee has four members nominated from the board of directors. The committee makes recommendations to the board with respect to:

- Financial affairs including a periodic review of accounting procedures and financial statements;
- Reporting on the status of financial reserves, funds and investments; and
- Assisting in the preparation of the annual budget, annual financial statements and annual financial reports.

To improve financial management, LCWHC has entered into a shared services agreement with a major Winnipeg health centre for the services of a chief financial officer (CFO). The CFO's duties include the planning, management and operation of the ongoing fiscal services of the LCWHC as well as organizing, managing and preparing their operating budget.

Financial status reports for each LCWHC entity are provided to the Finance Committee for monitoring purposes. A parallel reporting process was established with the LCWHC board and Lions Management Committee in 2003.

The (Shared Services) CFO attends Lions Management Committee and LCWHC board of directors meetings to present the monthly financial reports and other financial reports.

**Actions Planned**

Upon return of management and control to the Board, it is anticipated that the Board will require comprehensive business plans, linked to financial budgets, should it contemplate major new business decisions in the future.

**Recommendation 10**

**That this Board re-think their committee structure to ensure that committees that do not serve a useful purpose are removed. The limits of authority in terms of what decisions can be made at a committee level and what must be made by the full Board must also be clarified.**

Implemented

**Actions Taken**

The General By-Law that governs the affairs of LCWHC was revised and then enacted on September 26, 2002. New/renewed committees have been struck by the board following the directions set in the General By-Law that governs the affairs of LCWHC. The following are the main committees:

- Executive and governance committee;
- Finance committee;
- Human Resources and Building committee; and
- Nominations and By-law committee.

In addition to the aforementioned committees, the General By-Law makes provision for the following committees as needed:

- Programs/Resident Services/Public Relations committee;
- Project Development and Management; and
- Any other committee the board considers necessary or desirable to assist in carrying out the purpose and objects of LCWHC.

As outlined in the General By-Law, all committees can only make recommendations to the board of directors.

**Recommendation 11**

**That an Audit Committee be established to enhance Board communication with the External Auditor.**

Implemented

**Had this been in place, the Board may have been more aware of control weaknesses and would have been in a better position to ensure LCWHC annual audited financial statements were discussed and understood by Board members. As well, a fully functioning Finance Committee can play a useful role in reviewing the administration’s financial information in detail, analyzing budget variances on a monthly basis and providing up-to-date financial information to the Board.**

## *Actions Taken*

A Finance Committee was established by LCWHC by-law. LCWHC Finance committee members were appointed in October 2003.

The role of the Finance Committee, which also functions as an Audit Committee, includes:

- issuing instructions to the external auditor;
- receiving draft and final statements;
- reviewing management letters (if any);
- presenting audit information and materials to the LCWHC board of directors; and
- monitoring implementation of recommendations arising from the audit process.

A parallel monthly reporting process was started in 2004 (i.e., the same financial reports being provided to LCWHC Finance Committee, as well as to Lions Management Committee).

## **Recommendation 12**

Implemented

**That the Board strike the right balance of power with its Executive Director.**

**A Board that is too involved in the day-to-day management of its organization may compromise its responsibility, while a Board that is too “hands off” abdicates its authority and places too much power and unrestricted authority in the hands of senior managers. In this case, all authorities were perceived to fall to the Executive Director, thereby eroding the Board’s role as ultimate authority. While the Executive Director is most responsible for organizational efficiency and effective management, this should not be confused with overall organizational effectiveness for which the Board is responsible and ultimately accountable. The LCWHC Board needs to ensure that their Executive Director is given a clear job description, which specifies authorities as well as annual objectives to achieve. Monitoring the performance of the Executive Director is a major responsibility of any Board. While the Board may choose to delegate this responsibility to the Board President or Executive Committee, all Board members should have input and be informed of the results of any review.**

## *Actions Taken*

A permanent Executive Director has been appointed by the Lions Club of Winnipeg Housing Centres board and the Lions Management Committee, for a 2 year renewable term, effective May 1, 2004.

The General By-Law of the LCWHC indicates that the Board may delegate to the Executive Director some or all of the authority to manage any business or affairs of the LCWHC except those that must by law be performed by the Board. The Executive Director shall follow all of the lawful orders given by the Board and shall at all reasonable times give the directors all information they require regarding the affairs of the LCWHC. The Executive Director cannot be a member of any Lions Club.

A position description was developed for the Executive Director by the LCWHC Board. The Executive Director reports to the Board, with key responsibilities and accountability for the planning, human resources, administration, and overall performance of the organization. The LCWHC board has developed criteria by which performance will be assessed. The criteria measures are in compliance with LCWHC Board policy.

LCWHC Board policy provides for the evaluation of the Executive Director before the end of each financial year and indicates how this evaluation will be performed. LCWHC Board policy outlines expectations for contracts and purchases, and conflict of interest.

Expenditures, donations, reserve accounts and investments are monitored by the LCWHC Board's Finance Committee through variance reports, and cash flow statements. The LCWHC's Finance Committee membership includes knowledgeable individuals with finance, accounting and business experience.

**Recommendation 13**

**That in future, the Board conduct regular self-assessments of its performance.**

Significant Progress

*Actions Taken*

A Board policy on the evaluation of the Board of Directors was approved to be effective as of May 13, 2002.

Assessment tools for Board evaluation, were developed by a management consultant, and provided to the LCWHC board on May 13, 2002 at a Board Governance Workshop.

*Actions Planned*

Evaluations, in accordance with policy, will continue to be conducted/implemented following return of management and control to the LCWHC Board.

**Recommendation 14**

**That LCWHC immediately cease the practice of awarding LCWHC business to Board member's companies and those of former Board members as long as they remain members of the Lions Club of Winnipeg.**

Implemented

*Actions Taken*

The LCWHC has ceased the practice of awarding LCWHC business to Board members. A Board-developed Conflict of Interest policy became effective, April 29, 2002.

Specifically:

- The policy prohibits any director, whether or not a member of the Lions Club of Winnipeg, from entering into a contract for pecuniary gain with the LCWHC;
- The policy prohibits any member or non-member of the Lions Club who wishes to perform or provide services for pecuniary gain, from accepting a nomination or be elected to the Board of the LCWHC; and

- The policy prohibits a member of the Board who participated in a discussion or who voted on a motion respecting a contract for performing or providing any service for pecuniary gain from entering into such a contract for one year after he or she has ceased to be a member.

Procedures for dealing with Board Members where a conflict of interest has been found to exist are outlined as well. Departure from any rules by Board Members without the specific prior approval of the Board will result in immediate dismissal from the Board.

Members of the Board are required to complete and sign a "Disclosure Re Conflict of Interest" annually.

**Recommendation 15**

Some Progress

**That the Province make it a condition of providing public monies to not-for-profit organizations, that neither individual board members nor their companies should benefit from the public monies.**

No Further Actions  
Planned

*Actions Taken*

In terms of Lions Club of Winnipeg Housing Centres (LCWHC), the Lions Management Committee acted on ensuring that LCWHC board implemented "Conflict of Interest" policy, and no additional funding was provided to LCWHC.

The recommendation is no longer relevant to LCWHC, and is beyond the scope of the Lions Management Committee to implement.

**Recommendation 16**

Implemented

**That the Province obtain legal advice to assess whether public monies were paid to individuals with a conflict of interest and to consider what, if any, action would be appropriate.**

*Actions Taken*

Based on arguments provided by legal advice the Lions Management Committee determined that it was not in the public interest to pursue these matters further.

**Recommendation 17**

Implemented

**That the Province advise CCRA of the nature of LCWHC's transactions with the former Executive Director. CCRA should be asked to advise LCWHC as to whether LCWHC has appropriately reported the former Executive Director's income and made all the appropriate deductions and remittances to CCRA.**

*Actions Taken*

In July 2001 the Lions Management Committee advised Canada Customs and Revenue Agency (CCRA) of the concerns noted in the Special Audit regarding the nature of the

transactions with the LCWHC former Executive Director. CCRA was advised that particulars of these matters would be available at the Department of Family Services and Housing should CCRA wish to undertake further follow-up.

In May 2003, a CCRA representative verbally advised the Executive Director of LCWHC that CCRA would not be taking any action.

**Recommendation 18**

**That the LCWHC Board adopt a more formal process to approve contractual arrangements with, and expense accounts of, its Executive Directors. It should also require appropriate documentation of expenses.**

Significant Progress

*Actions Taken*

New position description approved.

Currently LCWHC uses WRHA signing authority guidelines for procurement, purchasing limits and delegation of signing authority.

*Actions Planned*

Signing authority and procedures to document expenses are to be addressed by the LCWHC board prior to return of management authority.

**Recommendation 19**

**That Lions Cove take immediate action to comply with its legal obligations to tenants with respect to rental rates.**

Implemented

*Actions Taken*

Pursuant to agreements with tenants, management now circulates to all tenants an audited statement of the actual operating expenses and a calculation of the rent owing or refundable within three months of the end of the fiscal year end.

**Recommendation 20**

**That a replacement reserve fund for Lions Cove be established.**

Implemented

*Actions Taken*

A Replacement Reserve fund was established as part of the 2002 budget review and approval by the Lions Management Committee.

No Longer Relevant

**Recommendation 21**

**That controls over future expenditures on West Broadway properties be put in place to ensure excess costs are not incurred; that monthly Board reporting on the costs associated with this initiative be implemented; and that the Board follow through with the discontinuance of this non-core line of business.**

*The Reason Why the Recommendation is No Longer Considered Relevant*

Non-core lines of business were discontinued by the Lions Management Committee and all West Broadway properties were sold. No further activity is contemplated.

Implemented

**Recommendation 22**

**That the \$254,000 be capitalized in the costs of the 333 Maryland Project. As well, deferred revenue should be recorded for prepaid rent and taken into income over a period of time agreed upon with the Research Centre.**

*Actions Taken*

In January 2001, management adjusted the March 31, 2000 financial statements for 333 Maryland to reflect the increased capital cost and the deferred revenue. External auditors concurred with the details of the adjustment.

The Lions Management Committee and LCWHC board analyzed the ongoing viability of this property and determined it was in the organization's best interest to sell the property.

As of August 1, 2003 the property was sold.

Implemented

**Recommendation 23**

**That the Province of Manitoba and the LCWHC Board review all financing arrangements and security with a view to ensuring that these are appropriate and manageable.**

*Actions Taken*

The Lions Management Committee and LCWHC board analyzed the ongoing viability of this property and determined it was in the organization's best interest to sell the property.

As of August 1, 2003 the 333 Maryland property was sold and title transferred to the new owners.

The sale agreement includes ongoing involvement by LCWHC for a period of 5 years to provide certain services to the new owners.

Implemented

**Recommendation 24**

**That a business plan for the operation of 333 Maryland be developed. If the business plan shows that the facility is not viable, an action plan should be developed in conjunction with the Province to minimize the loss of public monies in this venture.**

**Actions Taken**

In January 2001, LCWHC management adjusted the March 31, 2000 financial statements for 333 Maryland to reflect the increased capital cost and the deferred revenue. External auditors concurred with the details of the adjustment.

The Lions Management Committee and Lions board analyzed the ongoing viability of this property and determined it was in the organization's best interest to sell the property.

As of August 1, 2003, the sale became effective.

**Recommendation 25**

**That the LCWHC establish a formal capitalization policy.**

Some Progress

**Actions Taken**

The need for a capitalization policy related to new investments is not currently relevant to LCWHC, since the business of acquiring properties was not defined as a core-business function, and non-core business functions have been discontinued by the Lions Management Committee and Lions board.

For ongoing housing operations, LCWHC's capitalization policy will reflect MHRC's Portfolio Administration policy. A Replacement Reserve budget line is included in operating budgets for planned capital expenditures (modernization and improvement) for all non-profit housing projects.

**Actions Planned**

LCWHC will review the capitalization policy with their external auditors after agreement has been reached with MHRC regarding new Operating Agreements and appropriate Replacement Reserves, prior to the transition of management and control back to the LCWHC board.

**Recommendation 26**

**That the LCWHC determine the least costly alternative to divest itself of Wilson House and act upon this plan expeditiously.**

Implemented

**Actions Taken**

Non-core lines of business were discontinued by the Lions Management Committee and properties were sold.

As of May 2, 2001, Wilson House was sold.

Implemented

**Recommendation 27**

**That WRHA initiate an audit of the PCC to determine whether the funding provided for staffing is appropriate given the present level of staffing.**

***Actions Taken***

WRHA requires that all personal care homes meet the operating standards included in the Guidelines for Management Information Systems in Canadian Health Service Organizations (MIS Guidelines).

While a comprehensive operational review was not undertaken by WRHA, their review of available information regarding staffing hours of care by classification indicated that Lions PCC was within the range of acceptable staffing levels.

**Recommendation 28**

Implemented

**That LCWHC establish separate bank accounts and lines of credit for each LCWHC entity together with separate bank accounts for restricted charitable donations and government grants to the extent necessary to enable them to demonstrate appropriate accountability for funds.**

***Actions Taken***

Non-core business entities have been discontinued. Separate bank accounts have been established for each remaining entity. Revenues are deposited in these bank accounts. In the restructuring of the LCWHC, the Lions Manor entity acts as manager/administrator of the overall entity. There is only one Line of Credit that resides with the Lions Manor. Disbursements occur from primary Lions Manor bank account/Line of Credit, with funds transferred from other entities to Lions Manor for expenses, based on established costs/criteria.

All charitable donations are deposited into a separate donation bank account under Lions Manor. LCWHC has not actively engaged in fund-raising activities since 2000. However, unsolicited gifts, bequests, donations-in-kind, continue to be received, often designated for specific programs or projects. Designated financial contributions are identified within the Lions Manor “donations” bank account, using a list of 15 donation categories. When it is deemed appropriate to draw on these donations, as opposed to normal operating funds, the LCWHC Board authorizes expenditures from the donations bank account. The donations ‘fund’ also carries its own costs (i.e., software licensing, stationery, etc.)

Government grants are deposited into the appropriate entity bank account (either operating or reserve depending on what the funding covers).

The following 10 bank accounts have been set up under Lions Manor. This list includes the Adult Day Care bank accounts, as these programs are included under Lions Manor in the audited financial statements.

- Donations,
- Lions Place Adult Day Care,
- Lions Place Adult Day Care Contingency,

- Lions Manor General,
- Concordia Adult Day Care,
- Manor Building Reserve,
- Charleswood Adult Day Care,
- Manor Resident Trust,
- Lions Manor Adult Day Care, and
- Line of Credit.

**Recommendation 29**

**That the Province consider requiring LCWHC to prepare a special audited report on the use to which public monies have been put.**

Implemented

**This could include assessing the appropriateness of cost allocations and the potential for past overpayments by the Province. The Province should subsequently consider whether it would be appropriate to recover public monies that have been spent for purposes other than those intended and whether actions to recover these overpayments would be practical.**

*Actions Taken*

Given legal advice obtained and the difficulty involved in proving any loss to Government, the Department made the decision not to attempt to recover funds.

Control of management and operations of LCWHC was assumed by a provincially appointed Lions Management Committee following the Special Audit Report. All operations have been reviewed.

**Recommendation 30**

**That LCWHC implement appropriate controls over administrative expenses.**

Implemented

*Actions Taken*

Appropriate controls over administrative expenses have been developed and implemented.

Key controls implemented include:

- Limited access to LCWHC credit cards (program leaders; bus driver, purchasing agent);
- Expenditures are monitored each month end by supervisors and are signed off by the supervisors;
- The senior financial officer and the on-site accountant are employed by another mature health care facility as per the Shared (financial) Services Agreement; and
- Expanded and updated policies and procedures were adopted by LCWHC.

Implemented

**Recommendation 31**

**That LCWHC no longer pay for legal costs incurred in disputes between Board members.**

*Actions Taken*

The LCWHC established a Conflict of Interest Policy and Guidelines. LCWHC Board Members are not permitted to enter into contracts with LCWHC to perform services for pecuniary gain, either directly or indirectly. This policy removes the possibility of situations developing related to Board Members having contract disputes with LCWHC, or involving payment of legal costs incurred in disputes between Board Members.

**Recommendation 32**

Significant Progress

**That LCWHC ensure that all cost allocations are valid and appropriately documented.**

*Actions Taken*

The Lions Management Committee engaged the services of a management consultant to work on restructuring the LCWHC Board and Management. The restructuring plan provided by the management consultant was approved by the Lions Management Committee. Included in this plan was the development of a financial and cost allocation model to be used to ensure that all cost allocations are valid and appropriately documented.

Cost allocations have been established and implemented into the current year budget.

MHRC staff are reviewing these allocations as part of the annual review process.

*Actions Planned*

The draft Lions Manor project operating agreement states Lions Manor will be engaged to manage the day to day operations of the project (Lions Place) for a fixed management fee, which shall include all administration charges for services to be provided by Lions Manor. The management fee shall require prior written approval of MHRC. The role of Lions Manor shall be clearly defined in the management contract, and identified to third parties with whom Lions Manor deals on behalf of the sponsor. Operating agreements are currently being negotiated between the LCWHC and the MHRC and will be in place prior to transition of management and control to the Lions board.

**Recommendation 33**

Implemented

**That the LCWHC Boards review our recommendations with their external auditor with a view to strengthening the appropriateness and transparency of their financial reporting.**

*Actions Taken*

New external auditors were appointed following the Special Audit. The new external Auditors annually check progress against the Special Audit recommendations and provide comments to LCWHC management and board, and the Lions Management Committee.

LCWHC has eliminated the co-mingling of funds and costs so that all managers are fully aware of the funds for which they are accountable. Monthly costs are tracked and projected to year end. Overhead costs that affect several areas are allocated on a defined, written percentage basis, ensuring that all managers know how their budgets are affected.

To improve financial management, including reporting, LCWHC has entered into a shared services agreement with a major Winnipeg health centre for the services of a chief financial officer (CFO). The CFO's duties include the planning, management and operation of the ongoing fiscal services of the LCWHC as well as organizing, managing and preparing their operating budget.

LCWHC has established a Finance Committee to review and monitor financial reports.

Financial reports for each LCWHC entity are provided to the Finance Committee for monitoring purposes.

The (Shared Services) CFO attends Lions Management Committee meetings, as well as LCWHC Finance Committee and LCWHC Board meetings.

A parallel reporting process was established with the LCWHC board (Financial Committee) and Lions Management Committee in 2004 whereby the same financial reports are provided to both concurrently.

**Recommendation 34**

**That the Province advise Canada Customs and Revenue Agency (CCRA) of our concern with respect to the appropriateness of the use of donated monies and request them to conduct an audit.**

Implemented

*Actions Taken*

In July 2001 the Lions Management Committee advised Canada Customs and Revenue Agency (CCRA) of the concerns noted in the Special Audit regarding the appropriateness of the use of donated monies. CCRA was advised that particulars of this matter would be available at the Department of Family Services and Housing should CCRA wish to undertake further follow-up.

In May 2003, a CCRA representative verbally advised the interim Executive Director of LCWHC that CCRA would not be taking any action.

**Recommendation 35**

**That LCWHC issue a revised mailing which more accurately describes the purpose of the fundraising drive and take steps to ensure that those that have already made a donation are aware of the use to which the funds are to be put.**

No Longer Relevant

The Lions Management Committee determined that it was not necessary for LCWHC to issue a revised mailing describing the purpose of the fundraising drive (the Lions Alzheimer Residence and Research Centre and the Lions Personal Care Centre), to ensure that those who made a donation are aware of the use to which the funds are to be put, as

donations are primarily made to the LCWHC for general purposes. No further action is required to be taken.

Donations are primarily for general purposes, however, should specific fund raising programs take place in the future; an accurate description of the purpose for the funds will be made.

## **Recommendation 36**

Some Progress

**That LCWHC and the Province undertake a comprehensive review of human resource and quality of care issues in order to assess whether employee concerns are warranted.**

### *Actions Taken*

The Winnipeg Regional Health Authority (WRHA) requires that all personal care homes meet the operating standards included in the Guidelines for Management Information Systems in Canadian Health Service Organizations (MIS Guidelines).

While a comprehensive operational review was not undertaken by WRHA, their review of available information regarding staffing hours of care by classification indicated that Lions PCC was within the range of acceptable staffing levels.

A Standards Review of Lions PCC was conducted jointly by Manitoba Health and the WRHA in January 2002. The Summary Report indicated overall improvements in the care provided. However, there were still a number of areas where standards had not been met and recommendations were made.

### *Actions Planned*

The Department is working to address the recommendations of the Standards Review. The next Standards Review is scheduled for February 2005. In the interim, regular Accreditation reports are submitted by Lions Personal Care Centre (PCC) to WRHA, which indicate steps taken to address Recommendations to meet Standards.

## **Recommendation 37**

Significant Progress

**That the Province review its monitoring practices and its authorities under existing agreements with a view to taking such action as may be necessary to improve its monitoring rights and control of the use of public monies.**

### *Actions Taken*

The Lions Management Committee established under a Memorandum of Agreement (MOA), dated January 26, 2001, was to maintain, operate, manage, administer and control all day-to-day operations of the LCWHC entities until such time as the Committee deemed it appropriate to begin transitioning management and control back to the Lions Club of Winnipeg.

***Actions Planned***

Draft Project Operating Agreements are being negotiated, which will establish new arrangements between the MHRC and the LCWHC. These new agreements will include a stronger monitoring role for government, enhanced reporting requirements for the LCWHC as well as stronger remedies for breach of the agreement(s). These agreements will also specify (among other things) requirements concerning efficient management of projects; maintenance of books, records and accounts; access to records and premises; expectations regarding conflict of interest; and limitations on contracts to be entered into. The MHRC has set out requirements for the submission of annual project data reports, audited financial statements, and all supporting documentation within specific timelines.

Management and control will not be transitioned back to the Lions board until new Project Operating Agreements have been signed.

**Recommendation 38**

**That LCWHC ensure restricted cash is on hand for each entity.**

Significant Progress

***Action Taken***

The Special Audit report noted that LCWHC had pledged/hypothecated restricted assets that were supposed to have remained available to fund replacement reserves for capital purposes (in accordance with Project Operating Agreements), to secure LCWHC's Line of Credit. Accordingly, these restricted assets were not "on hand" and available. The MHRC issued a Loan Guarantee on behalf of the LCWHC to the Toronto-Dominion Bank to secure the Line of Credit, which allowed the restricted assets to be released to LCWHC and allocated to their respective reserve bank accounts. The Loan Guarantee is for a time-limited period, allowing the LCWHC the time/opportunity to restructure its affairs.

In the interim, pending the release of the assets and clarification of the financial position of the accounts, the reserve accounts were not being funded. Following the release of the assets, the reserve bank balances were recalculated as if they had been funded, resulting in the identification of a shortfall in the balance for Lions Place. This gap/shortfall can only be closed by allocating operating surpluses as the financial health of the organization improves. Lions View's replacement reserve is fully funded. No specific reserve requirements are specified in the Operating Agreements for Lions Manor.

As at March 31, 2004 the restricted cash portion of the reserve funds for Lions Place was under funded by approximately \$124,000 (18% of the total restricted cash requirement). As at March 31, 2004, the restricted cash portion of the reserve funds for Lions View exceeded the requirements by approximately \$7,000 (approximately 5% more than required).

***Action Planned***

Funding deficiencies for Lions Place will be addressed in 2005.

Implemented

**Recommendation 39**

**That LCWHC take steps to satisfy Manitoba Housing requirements for providing an adequately detailed plan for proposed expenditures through the replacement reserves.**

***Actions Taken***

In May 2002, MHRC conducted a capital review of Lions Place, Lions Manor, Lions Gate and Lions View South. These cost estimates were used to provide budgets and capital expenditures for 2003/04 to 2007/08. A Replacement Reserve budget line is included in operating budgets for planned capital expenditures (modernization and improvement) for non-profit housing projects.

Draft Project Operating Agreements set out the requirements for replacement reserves. The amount to be set aside will be determined by completing a replacement reserve analysis at least every three years.

At the present time, LCWHC staff have submitted any repairs to be completed through the replacement reserve for pre-authorization by MHRC.

**Recommendation 40**

Implemented

**That appropriately funded replacement reserves should be put in place for all LCWHC properties and funding deficiencies need to be addressed by LCWHC management. As well, capital plans should be prepared for all facilities.**

***Actions Taken***

A Replacement Reserve budget line is included in operating budgets for planned capital expenditures (modernization and improvement) for non-profit housing projects.

The Special Audit report noted that LCWHC had pledged/hypothecated restricted assets that were supposed to have remained available to fund replacement reserves for capital purposes (in accordance with Project Operating Agreements), to secure LCWHC's Line of Credit. Accordingly, these restricted assets were not "on hand" and available. The MHRC issued a Loan Guarantee on behalf of the LCWHC to the Toronto-Dominion Bank to secure the Line of Credit, which allowed the restricted assets to be released to LCWHC. The Loan Guarantee is for a time-limited period, allowing the LCWHC the time/opportunity to restructure its affairs.

**Recommendation 41**

No Longer Relevant

**That the Province direct LCWHC to begin complying with its agreements immediately.**

***The Reason Why the Recommendation is No Longer Considered Relevant***

Provincial Management Committee assumed management control of LCWHC following Special Audit; Operating Agreements "suspended" in interim. New agreements will be in place with strengthened monitoring provisions prior to return of control to Board.

# 13.0 Department of Education, Citizenship and Youth - Investigation of an Adult Learning Centre in Morris-Macdonald School Division #19

*Original issue date: September 2001*

**Subsequent Event**

As of October 2001, MMSD was prohibited from any involvement in Adult Learning Centers. Effective for the 2002/03 school year, MMSD and the Red River School Division were amalgamated to form the Red River Valley School Division (RRVSD). RRVSD does not currently participate in the operation of any ALCs.

## 13.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We are pleased that the Department and the Division acted swiftly to fully address the majority of our recommendations. We commend the Province for moving swiftly to put into place the Adult Learning Centre Act and General Regulation. The Department's decision to prohibit the former MMSD from further involvement in ALCs and the RRVSD's decision not to participate in ALCs has resulted in 8 of our recommendations no longer being relevant. We note that only four recommendations require further actions.

**FIGURE 12**

Status as at March 31, 2004 of Recommendations Issued in September 2001							
Total		Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant
RRVSD	17	9	1	1	-	-	6
Department	30	24	1	2	1	-	2
<b>Total</b>	<b>47</b>	<b>33</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>8</b>

## 13.2 SUMMARY OF OUR ORIGINAL REPORT

### About the Adult Learning Centre

The African Immigrant Program, later known as Classroom 56, operated as an Adult Learning Centre (ALC) within the Morris-Macdonald School Division #19 (MMSD). Within our recommendations, this ALC was referred to as "The Program".

### Audit Purpose and Scope

We received the following allegations with respect to the student enrollment of The Program:

- September 30, 2000 enrollment figures which formed the basis for provincial funding were significantly overstated;
- The student registration listing was not supported by valid registration forms; and
- Attendance records were either not maintained properly, or were adjusted to reflect higher attendance for the period September 2000 to March 31, 2001.

We received the following allegations with respect to the quality of education provided by The Program:

- Non-certified individuals were teaching students;
- Appropriate curriculum was not always used;
- Supplies and textbooks were not available; and
- Teachers' compensation was inconsistent with the MMSD Collective Agreement.

We also reviewed the following additional issues:

- Physical conditions of facilities;
- Teacher recruitment process; and
- Use of assessment tools.

In addition, we assessed MMSD's role and responsibilities as the sponsoring School Division for The Program. We reviewed the following:

- enrollment submissions to the Department;
- monitoring of The Program;
- monitoring of a Summer Program in 2000;
- use of The Program funds; and
- administrative allowances.

We reviewed MMSD's involvement in ALCs since 1997/98. This review considered ALC student enrollment, funding, quality of education, and administrative matters.

We also conducted a review of the Department of Education, Citizenship and Youth's (the Department) role in the evolution of ALCs within Manitoba. The issues we reviewed encompass policy framework, student enrollment funding, and quality of education.

## Conclusions

With respect to The Program we concluded that:

- The enrollment figures provided to MMSD by The Program were significantly overstated and the documentation to support the enrollment submission is inadequate. Based on the results of our investigation, MMSD was over funded for The Program by between \$488,900 and \$613,300; and
- The Program was poorly managed and poorly delivered, resulting in an inferior quality of education being provided to the students.

With respect to MMSD, we concluded that:

- Based on our interpretation of available information, the Division overbilled the Province by approximately \$371,000 by using overstated ALC enrollment figures related to other ALC operations within the Division; and
- The Division provided an inappropriately low level of management, monitoring and quality assurance for The Program and other ALCs.

With respect to the Department, we concluded that:

- ALCs have evolved without an appropriate legislative and policy framework which in turn may have contributed to a rapid and unforeseen increase in the cost of adult learning programming; and
- The recently issued policy framework, Accountability Framework for Adult Learning Centres 2001/2002, for ALCs may contain inconsistencies with the Public Schools Act and the Education Administration Act.

## 13.3 REPRESENTATIONS OF THE DIVISION

The Red River Valley School Division's representations on the implementation status, as at March 31, 2004, of the recommendations from the March 2001 Auditor General report on the Investigation of an Adult Learning Centre in Morris-Macdonald School Division #19 are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Division's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Division.

Implemented

### **Recommendation 1**

**That MMSD's School Board should seek legal advice on the appropriateness of its administrators and/or the administrators of The Program providing MMSD with enrollment figures that they knew, or should have known, were significantly overstated.**

#### *Actions Taken*

In the spring of 2001 MMSD discontinued its partnership association with The Program. At that time, legal counsel was sought and through lengthy deliberations it was agreed that it would cost the school division more money to proceed through the legal process than it could recover. By December 31 2001, METY had removed all ALC's from the MMSD's control and direction. Our focus then became to limit the damage to the K - S4 educational system. Any extra legal costs could have negatively impacted the K - S4.

Implemented

### **Recommendation 2**

**That MMSD consider adjusting the administrative allowances paid to MMSD staff for The Program's enrollment by between \$4,500 and \$5,700 to reflect the reduction in The Program's enrollment.**

#### *Actions Taken*

The Division agreed that it would cost the school division more money to proceed through the legal process than it could recover. This approach seemed a better avenue to negotiate contract releases with these staff members. The most senior administrators were all released from their contracts by the spring of 2002.

Implemented

### **Recommendation 3**

**That the Superintendent obtain a copy of the second consulting report on The Program forthwith and provide a copy to the Department together with such commentary and analysis as is considered appropriate.**

#### *Actions Taken*

On November 2, 2001, the second version of the report by the external consulting firm on The Program was forwarded to the Minister of Education after having been reviewed by the Board of Trustees. A commentary and division analysis was also submitted at this time. Also included to the department was the consulting firm's response to the division's commentary.

**Recommendation 4**

**That MMSD consider requesting reimbursement of the \$1,900 application submission fee and the \$1,000 incorporation fee paid by MMSD on behalf of two employees of The Program for their partnering arrangements with another School Division.**

Implemented

*Actions Taken*

On October 18, 2001 a letter was sent to The Program stating the Provincial Auditor’s recommendations. A copy of the invoices was included with the request to reimburse \$2964.86. No payment was realized by MMSD as a result of this letter being sent. The Division concluded that it would cost the school division more money to undertake further actions than it could recover.

**Recommendation 5**

**That MMSD consider obtaining legal advice respecting its right to recover the \$25,000 advanced to HOPE for a summer program that provided a deficient quality of education.**

Implemented

*Actions Taken*

Following the completion of the OAG investigation, legal advice was sought and letters were sent to HOPE in efforts to recover monies. No action or money was ever forth coming from these attempts. The Division concluded that it would cost the school division more money to proceed through the legal process than it could recover.

MMSD did address the deficient quality of education by enlisting the support of the International Centre of Winnipeg. Students from The Program were contacted and their educational levels and needs were assessed and tutoring was provided in areas as required.

**Recommendation 6**

**That MMSD should request attendance information from ALCs in order to determine the extent of any adjustment to FTE funding required for students that may have dropped out of ALCs prior to September 30, 2000.**

Alternative Solution  
Implemented

If this information is not available, consideration should be given to estimating a student FTE reimbursement to the Department for a proportion of the 688 students based on a negotiated rationale.

*Actions Taken*

The department used the OAG’s report as a basis to assess overpayments. Following lengthy negotiations between the department and the official trustee, a settlement agreement was reached in which the MMSD was to pay back to the government \$2,359,900 over several years.

Implemented	<p><b>Recommendation 7</b></p> <p><b>That MMSD revisit and seek to revoke the current ALC administrative allowance section of the Collective Agreement specifically regarding the payment of administrative allowances to school staff and ALC Directors based on ALC enrollment.</b></p> <p><i>Actions Taken</i></p> <p>The removal of sections from the collective agreement regarding administrative allowances for principals and vice-principals based on ALC enrolment, were negotiated out of the collective agreement effective the beginning of the fall term 2001.</p>
Implemented	<p><b>Recommendation 8</b></p> <p><b>That MMSD consult with the Department regarding the disposition of assets and deficits of an ALC which will not be a partner in 2001/02.</b></p> <p><i>Actions Taken</i></p> <p>Through the negotiations of transitional items between the former MMSD and the department, the disposition of all leases, ALC expenses, staffing, and equipment were dealt with. The only area at this time left outstanding is that of building lease expenses in future years. To date there are 3 remaining leases, 2 of which will terminate in September 2004, the 3<sup>rd</sup> site is still being used as an ALC but is being run through Winnipeg Technical College.</p>
Implemented	<p><b>Recommendation 9</b></p> <p><b>That MMSD develop a formal, Board approved, strategic business plan that outlines the direction the Division intends to follow concerning ALCs.</b></p> <p><i>Actions Taken</i></p> <p>In November 2003, the Board approved a strategic plan that details the division's vision, mission, priorities, goals and objectives. This plan relates specifically to education within the K - S4 as there are no longer any ALCs associated with this division.</p>
No Longer Relevant	<p><b>Recommendation 10</b></p> <p><b>That MMSD take steps to ensure that the compensation of teaching assistants is consistent throughout the Division and in all its ALCs.</b></p>
No Longer Relevant	<p><b>Recommendation 11</b></p> <p><b>That MMSD obtain legal advice to assist them in the preparation of an appropriate ALC partnership agreement to be used for future ALC partnerships.</b></p>

**Recommendation 12**

That MMSD clarify and communicate the roles of the Division and ALC sites with regard to their specific accountability responsibilities.

No Longer Relevant

**Recommendation 13**

That MMSD develop and implement formal policies, procedures and controls relating to the operations of ALCs.

No Longer Relevant

**Recommendation 14**

That MMSD adopt formal and consistent review procedures for ALC expense transactions.

No Longer Relevant

**Recommendation 15**

That MMSD ensure their ALC Site Directors/Coordinators have appropriate educational and/or administrative backgrounds.

No Longer Relevant

**Recommendation 16**

That MMSD establish performance measures and targets for ALC success rates such as course credit achievement rates, graduation rates, etc.

No Longer Relevant

***Reason Why the Above Recommendations are no Longer Considered Relevant***

By December 2001, under the direction of MEY, all ALCs were transferred from MMSD to other school divisions. To this date RRVSD (the former MMSD) has had no involvement in any ALC operation.

***Actions Taken by MMSD prior to December 2001***

In October 2001, a draft copy of a partnership agreement was made with the assistance of legal counsel. (Recommendation 11)

In 2001 the department developed “The Good Practice Guide”. Throughout the summer and into the fall of 2001, ALC managers, teacher leaders and administrative staff were in-serviced on the implementation of “The Good Practice Guide” that the department was using to obtain data and provide accountability in all ALCs. (Recommendation 12)

- Databases were implemented to ensure all fields of inquiry in “The Good Practice Guide” could be addressed.
- In the fall of 2001 each ALC submitted this document as requested.

In February 2001, prior to the OAG Report being released, The Criteria/Conditions for partnership with ALCs document was developed to clarify and communicate roles and responsibilities. The Assistant Superintendent position was also brought into the division in the spring of 2001 to clarify issues on a daily basis. (Recommendation 13)

After significant staff changes had been finalized, the MMSD immediately set as a priority the need for formal policies that specifically addressed purchasing, tendering and leasing authorities. A new purchasing policy was created and has been in place since the spring

of 2002. This document is aimed at all business within the entire school division. (Recommendation 14)

Significant Progress  
No Further Actions  
Planned

**Recommendation 17**

**That MMSD’s School Board discuss and clarify a number of issues to improve their governance practices, including:**

- **Ensuring that all Trustees have a common understanding of board roles, responsibilities and accountabilities;**
- **Ensuring that a common understanding exists among all Trustees as to the administrative functioning of the Division and that the roles and responsibilities of all administrative positions have been clearly delineated;**
- **Conducting an annual strategic planning exercise that clarifies the Board’s goals and priorities for the Division;**
- **Improving the teamwork approach of the Board. Trustees should work together in frank discussions to improve the level of trust that currently exists on the Board. Strategic planning exercises and the adoption of clear, agreed-upon priorities can also help to improve trust;**
- **Establishing the Board’s appropriate level of involvement in administrative or operational issues;**
- **Establishing regular meeting times to be held without the presence of administrators. This type of session is common on many Boards and simply allows a Board to discuss any management concerns or issues freely; and**
- **Continuing the use of Board self-evaluations to improve the overall functioning of the Board.**

***Actions Taken***

A procedural by-law was put in place by the Interim school board in July 2002. At the inaugural meeting time is set on the agenda to review and understand the procedural by-law as it relates to the roles and responsibilities of all trustees. Workshops to improve and understand Board/ Superintendent relations have also been implemented. The RRVSD board was newly elected in the Fall of 2002. A sense of team continues to improve as individuals are able to familiarize themselves with the educational decisions and protocols that are required of them.

Regular Board meetings are held twice a month. Several times a year the Board and the administrative team meet or attend a common retreat in order to interact and share philosophies.

***Actions Planned***

We do not support the need to exclude the Superintendent/CEO or other senior administrators from any Board meetings and therefore do not plan any further actions.

### 13.4 REPRESENTATIONS OF THE DEPARTMENT

The Department of Education, Citizenship and Youth's representations on the implementation status, as at March 31, 2004, of the recommendations from the March 2001 Auditor General report on the Investigation of an Adult Learning Centre in Morris-Macdonald School Division #19 are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the Department's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the Department.

#### Recommendation 18

**That the Department seek legal advice on the appropriateness of MMSD providing it with student enrollment numbers that MMSD knew, or should have known, were significantly overstated.**

Implemented

##### *Actions Taken*

An RCMP investigation was initiated in December 2001 and is continuing.

#### Recommendation 19

**That the Department consider requesting reimbursement from MMSD for overfunding of an amount between \$488,900 and \$613,300, representing the difference between MMSD's FTE funding submission in December 2000 and our FTE estimate for The Program of between 50 and 100 student FTEs.**

Implemented

##### *Actions Taken*

Settlement Agreement signed on April 29, 2002 between the Minister of Education Training and Youth and the Morris Macdonald School Division to repay \$2,359,900 (subsequently reduced to \$1,942,731 due to allowed transition costs) by the 2005/06 school year.

#### Recommendation 20

**That the Department defer decisions with respect to providing future funding to any ALCs operated by those responsible for the day-to-day operation of The Program until those responsible have presented an operating strategy and plan to satisfy the Department that issues, such as those discussed in this report, will not reoccur.**

Implemented

No Longer Relevant      **Recommendation 21**  
**That the Department should review MMSD policies, procedures and controls to further ensure that public monies are not put at risk.**

***Actions Taken***

At the direction of the Minister of Education and Training, MMSD was required to withdraw from all involvement in ALC operations, effective December 31, 2001.

MMSD became part of Red River Valley School Division (RRVSD) through amalgamation. RRVSD has not sought to operate an ALC. If it chooses to apply in the future a number of factors would be taken into account. If the application were to be approved the operation would be governed by the terms of the Adult Learning Centres Act.

Implemented      **Recommendation 22**  
**That the Department reassess its decision to fund HOPE for 2001/02. HOPE was the originator of The Program, used non-certified individuals, and did not provide appropriate facilities, nor had materials (textbooks, supplies, curriculum documents) in place to meet the requirements to offer The Program in September 2000.**

Implemented      **Recommendation 23**  
**That the Department reassess its decision to provide program funding of \$625,000 for 2001/02 to an ALC that has demonstrated problems in providing learners with an appropriate quality of education.**

***Actions Taken Regarding Recommendations 22 and 23***

At the direction of the Minister of Education and Training, HOPE was required to withdraw from all involvement in ALC operations, effective December 31, 2001.

At the request of the Department, Winnipeg School Division took over operation of the HOPE ALC sites effective January 1, 2002 in order to enable students to complete the school year. Funds originally allocated to HOPE for the balance of 2001-02 were redirected to Winnipeg School Division.

A final accounting of the \$250,000 advanced to HOPE by MB for the period of July 1-December 31, 2001 was filed by HOPE on March 10, 2003. The Department deemed HOPE's disclosure of expenditures acceptable and closed the file effective May 14, 2003.

Implemented      **Recommendation 24**  
**That the Department consider requesting reimbursement from MMSD of at least \$371,000 based on our extrapolation of the contracted survey results.**

This represents estimated MMSD ALC's FTE overstatements, excluding The Program. We used information that was available to MMSD and the Department in deriving this amount. Should the Department wish to review previous years' enrollment information, we recommend that additional audit procedures be conducted.

### Recommendation 25

That the Department consider requesting MMSD to return the excess funding that was not required to operate the Entrepreneurial Technology and Education Centres (ETECs) program from inception to June 30, 2001 estimated at approximately \$1.5 million.

Implemented

#### *Actions Taken*

Settlement Agreement signed on April 29, 2002 between the Minister of Education Training and Youth and the Morris Macdonald School Division to repay \$2,359,900 (subsequently reduced to \$1,942,731 due to allowed transition costs) by the 2005/06 school year.

### Recommendation 26

That the Department consider moving quickly to put in place appropriate legislation to address ALCs in Manitoba. This legislation should ensure clarification of the following:

Implemented

- the role and goals of ALCs in Manitoba;
- the issues of ownership of assets, funding surplus, and responsibility for deficit;
- responsibilities of ALCs, partnering School Divisions, and the Department; and
- performance measures and accountability reporting.

### Recommendation 27

That the Department establish standards for the operation of an ALC covering student initial assessment and testing, the availability of technology, library and reference material, facility size and condition, furniture requirements, administrator/coordinator qualification, etc., to ensure that ALCs are positioned to provide a comparable quality of education in comparable facilities.

Implemented

### Recommendation 28

That the Department establish School Division and ALC standards for ALC records management covering the retention of admission, registration and student records, giving due consideration to the Freedom of Information and Protection of Privacy Act (FIPPA).

Implemented

#### *Actions Taken Regarding Recommendations 26, 27 and 28*

The Adult Learning Centres Act and General Regulation took effect July 1, 2003. All of the Auditor General's recommendations related to ALCs are reflected in the Act, Regulations, and Policies and Procedures.

Annual ALC funding agreements include a clause that requires ALCs to comply with FIPPA principles.

Implemented

**Recommendation 29**

**That the Department consider establishing a requirement that ALCs must be operated only by educators who have training in administration and/or site management.**

***Actions Taken***

The ALC Act and General Regulation detail the qualifications, duties, and responsibilities of the Education Director of an ALC. These qualifications, duties, and responsibilities parallel those of a school principal, but places emphasis on expertise in adult education. The Department developed these qualifications, duties and responsibilities in consultation with ALC operators to ensure that the realities of program operation were reflected.

The General Regulation provides a five-year “grandparent” period for ALC Education Directors who were in place at the time the ALC Act took effect. Directors who did not fully meet the legislated qualifications have until July 1, 2008 to meet those qualifications through retraining or Prior Learning Assessment and Recognition. Any new Education Director named after July 1, 2003 must meet legislated qualifications.

The Adult Learning and Literacy branch provides ongoing training and consultation services to Education Directors to support continuous improvements to ALC operations.

**Recommendation 30**

Implemented

**That the Department provide guidance to School Divisions on the content of partnership agreements with ALCs.**

***Actions Taken***

Under the terms of the ALC Act, one of the conditions of ALC registration for a center operating as a partnership between an educational institution and another organization is a partnership agreement approved by the Registrar.

The 2004/05 ALC Registration and Funding application incorporated a partnership agreement template to further ensure that all of the necessary points were covered in each agreement.

**Recommendation 31**

No Longer Relevant

**That the Department establish enrollment guidelines to clearly communicate the number of times an individual can be funded in an ALC.**

***The Reason Why the Recommendation is No Longer Considered Relevant***

Effective 2001/02, ALCs are no longer funded strictly on the basis of enrollment counts. Centres receive an annual operating grant based on an analysis of enrolment history and projections, as well as the nature of the program being delivered. ALCs are expected to operate within their annually approved budget, and to only admit those learners to whom they are able to offer an appropriate program. The definition of an ALC provided in Section 3 of the ALC Act guides ALCs in determining the eligibility of learners to attend.

### Recommendation 32

**That the Department consider basing the amount of ALC funding on the educational delivery model to be used by an ALC. Sites using lower cost per student delivery models should be funded accordingly. A start-up inventory of equipment, furniture, textbooks and supplies could be included in the funding application. Further, a long-term business plan for each ALC should be requested as part of this application.**

Implemented

#### *Actions Taken*

ALCs receive an annual operating grant based on the nature of the program being delivered and an analysis of the history and projections for enrolment, participation and completion.

Under the terms of the ALC Act, an inventory of materials and equipment is required as part of the annual registration process for ALCs.

The 2004/05 ALC Registration and Funding application incorporated a technology refresh schedule to assist ALCs in making long-term plans regarding upgrades to computers and other equipment.

The ALC Act establishes an annual renewal process for ALC Registration and Funding. Consequently, the Department's focus to date has been on ensuring that ALCs are planning effectively on an annual basis. ALCs are encouraged to do long-term planning. In specific cases where the Department has concerns about the lack of direction in a centre, the Registrar has imposed registration and/or funding conditions that require the ALC to engage in more in-depth strategic planning. A number of ALCs have made significant improvements to their program delivery as the result of such conditions.

### Recommendation 33

**That the Department consider requiring that School Divisions previously partnering with an ALC provide an evaluation of that ALC for the Department's use in assessing whether this ALC would receive future funding.**

Implemented

In turn, the evaluated ALC could supplement this with an action plan on how they would address any problematic issues.

#### *Actions Taken*

Under the terms of the ALC Act, when an ALC operates as a partnership, both partners are jointly and severally accountable for the operation. Application documents and funding agreements require signed commitment by both partners.

ALCs are encouraged to do long-term planning. In specific cases where the Department has concerns about the lack of direction in a centre, the Registrar has imposed registration and/or funding conditions that require the ALC to engage in more in-depth strategic planning. A number of ALCs have made significant improvements to their program delivery as the result of such conditions.

Implemented

**Recommendation 34**

**That prior to awarding funding to existing ALCs, Department staff ensure adequate facilities are in place. Further, that Department staff visit all existing and new ALCs within the first two weeks of operation to ensure that appropriate learning environments are in place.**

*Actions Taken*

Appropriate facilities are a condition of ALC Registration under the ALC Act. This means that the Registrar can revoke Registration at any time if the facilities are deemed inadequate.

Given that there are approximately 70 ALC sites spread throughout the province, Departmental staffing realities make the specific recommendation that all sites be visited “within the first two weeks of operation” unrealistic. However, the Department conducts regular site visits to all Registered ALCs with new programs and programs where concerns have been identified having first priority in each new program year.

Implemented

**Recommendation 35**

**That the Department consider requiring ALCs to provide formal documentation as verification that they are established as not-for-profit entities prior to their being considered for funding in accordance with the new funding policy.**

*Actions Taken*

The ALC Registration and Funding Application requires not-for-profit corporations to provide documented proof of not-for-profit incorporation.

Implemented

**Recommendation 36**

**That the Department establish appropriate performance measures to be used in formally monitoring the success of ALCs in providing quality education to adult learners. These measures should be used to determine whether continued funding is justified.**

*Actions Taken*

In an annual Registration and Funding review process all ALCs are assessed against criteria set out in the ALC Act and recognized principles of effective adult education. Criteria are outlined in an application guide for ALC registration and funding that is updated annually by the Adult Learning and Literacy branch. If an ALC does not meet these criteria the Registrar may refuse Registration or impose Registration and/or Funding conditions.

Each ALC submits an annual program Development Plan. Registration and funding is approved in light of this plan. Each ALC is also subject to one or more intensive site visits

annually in which department staff verify that the program being delivered is consistent with the approved plan. Formal reporting by the ALC of program statistics, finances, and qualitative evidence of program outcomes is all linked to the Development Plan.

**Recommendation 37**

**That the Department ensure that records identify the ALC students and which ALC site they attend for success rate monitoring.**

Implemented

*Actions Taken*

Effective 2001/02 every ALC has a specific ALC identification code (parallel to a School Code).

Effective 2002/03, ALCs do not participate in the enrolment report submitted by schools each year as of September 30<sup>th</sup>. This report is not pertinent to ALCs now that they are no longer funded on the basis of this enrolment count. ALCs report mid-year and year-end data on enrolment, participation, and completion directly to the Adult Learning and Literacy branch. The annual operating grant to an ALC is based on the nature of the program being delivered and an analysis of the history and projections for enrolment, participation and completion.

**Recommendation 38**

**That the Department ensure that ALCs are using certified teachers in accordance with The Public Schools Act.**

Implemented

*Actions Taken*

The ALC Act incorporates the same definition of “teacher” as The Public Schools Act.

Use of qualified Post-Secondary “instructors” in the delivery of approved Dual Credit courses is permitted under the terms of the ALC Act.

Adult Learning and Literacy (ALL) branch collects ALC Education Directors’ credentials and maintains a file on each Director. Directors are accountable for ensuring that, within the context of the ALC Act, both “teachers” and “instructors” are appropriately qualified to teach the courses they are teaching.

ALCs submit annual Teachers Employed reports to the Student Records and Professional Certification Branch in order to capture years of experience for certified teachers employed in ALCs in a manner equitable with teachers in the school system. ALC “instructors” are not included on these reports.

Regular site visits at ALCs by ALL staff contribute to the accountability of programs on a wide range of matters, including teacher qualification.

Implemented

**Recommendation 39**

**That the Department approve Limited Teaching Permits only where a demonstrated need is proven.**

*Actions Taken*

The policy of Education, Citizenship and Youth with respect to the issuance of Limited Teaching Permits (LTP) is that these will only be granted to a school division or independent school if it can demonstrate that it has advertised and been unsuccessful in recruiting a certified teacher. If it cannot fill a position, an individual for whom an LTP is requested must have, as a minimum, Senior 4 standing if the teaching assignment is for Grades K-8, and for Grades S1-S4 an undergraduate degree from an accredited university with a major or minor in the subject area of the teaching assignment.

Implemented

**Recommendation 40**

**That the Department define and clearly communicate to School Divisions and ALCs the conditions under which funding would be revoked or denied (i.e., use of uncertified teachers, lack of enrollment, poor success rates, etc.), and that the Department apply the conditions consistently.**

*Actions Taken*

In an annual Registration and Funding review process all ALCs are assessed against criteria set out in the ALC Act and recognized principles of effective adult education. If an ALC does not meet these criteria the Registrar may refuse Registration or impose Registration and/or Funding conditions.

The Registrar communicates conditions and reasons for denial of Registration and Funding to the ALC operator in writing. In the case of program closure or significant funding reduction, the Department has established a practice of consulting with the affected program at the earliest possible opportunity.

Implemented

**Recommendation 41**

**That should the Department become aware of problems in ALCs, this information be substantiated and acted on in a timely manner by Department staff, even to the extent where funding is withdrawn.**

*Actions Taken*

Accountability measures imposed on ALCs since 2001 have resulted in closure of several sites and reduction in funding to several others.

ALCs are encouraged to do long-term planning. In specific cases where the Department has concerns about the lack of direction in a centre, the Registrar has imposed registration and/or funding conditions that require the ALC to engage in more in-depth strategic planning. A number of ALCs have made significant improvements to their program delivery as the result of such conditions.

**Recommendation 42**

**That the Department ensure that School Divisions have appropriate policies and procedures in place to guide their management of the ALC partnership relationship.**

Implemented

***Actions Taken***

Under the terms of the ALC Act, when an ALC operates as a partnership, both partners are jointly and severally accountable for the operation. Application documents and funding agreements require signed commitment by both partners.

Under the terms of the ALC Act, one of the conditions of ALC registration for a center operating as a partnership between an educational institution and another organization is a partnership agreement approved by the Registrar.

The 2004/05 ALC Registration and Funding application incorporated a partnership agreement template to further ensure that all of the necessary points were covered in each agreement.

**Recommendation 43**

**That the Department consider requesting annual audit reports on ALC operations from ALCs covering the following:**

Significant Progress

- **Enrollment;**
- **Performance Measures;**
- **Financial Statements; and**
- **Public Sector Compensation Disclosures.**

***Actions Taken***

The ALC Act requires all ALCs to submit audited financial statements annually.

ALCs also submit qualitative and quantitative reports to the Registrar that include enrolment and completion statistics, financial accounting for ALC grants, and other measures of effective practice.

Each ALC is also subject to one or more intensive site monitoring visits annually in which department staff verify that the program being delivered is consistent with the approved Program Development Plan.

***Actions Planned***

The Department will do an analysis of which NFP employees are still not in compliance with Public Sector Compensation Disclosures and establish a process for ensuring compliance where relevant. This will be addressed prior to the end of the 2004/05 fiscal year.

Some Progress

**Recommendation 44**

**That the Department define the scope of audit work required for enrollment and performance measurement, and that financial statements be prepared in accordance with Generally Accepted Accounting Principles.**

*Actions Taken*

Funding agreements to ALCs require reporting in accordance with Generally Accepted Accounting Principles.

Each ALC submits an annual program Development Plan. Registration and funding is approved in light of this plan. Each ALC is also subject to one or more intensive site monitoring visits annually in which department staff verify that the program being delivered is consistent with the approved plan. Formal reporting by the ALC of program statistics, finances, and qualitative evidence of program outcomes is all linked to the Development Plan.

Adult Learning and Literacy (ALL) annually reviews enrolment, course completion, graduation rates and other performance measures which are linked to the general requirements for ALC registration (ALC Act Section 8) and detailed in the ALC Program Review form. ALL makes adjustments to funding allocations based on this review. Because enrollment is not directly equated to funding for ALCs we do not conduct a formal audit of enrollment data. Nevertheless, enrollment statistics submitted by ALCs are verified through comparison with other data on program delivery models and course completion, and through regular site visits by department staff.

**Recommendation 45**

Implemented

**That disclosure of compensation for not-for-profit employees should be made in compliance with the Public Sector Compensation Disclosure Act (PSCDA).**

*Actions Taken*

In the process of establishing more accountable partnerships with not-for-profit corporations, School Divisions have in many cases become the employing authority for ALC staff. NFP employees who have made the transition to employment by the educational institution partner are now captured in PSCD Act reporting done by the educational institution partner.

*Actions Planned*

The Department will do an analysis of which NFP employees are still not in compliance and establish a process for ensuring compliance where relevant. This will be addressed prior to the end of the 2004/05 fiscal year.

**Recommendation 46**

**That the Department seek legal advice with respect to requesting a return of monies from any School Division where they are aware that enrollment figures were overstated.**

Alternative Solution  
Implemented

**Actions Taken**

Legal advice regarding return of monies from any school division will be obtained when appropriate.

Effective 2001/02, ALCs are no longer funded strictly on the basis of enrollment counts. Centres receive an annual operating grant based on an analysis of enrolment history and projections, as well as the nature of the program being delivered. ALCs are expected to operate within their annually approved budget, and to only admit those learners to whom they are able to offer an appropriate program.

**Recommendation 47**

**That the Department implement a system of control where the Mature Student High School Diplomas are only distributed to authorized locations. All diplomas should have an identifying number to allow control over issuance.**

Significant Progress

**Actions Taken**

Effective July 1, 2003 ALCs Registered under the ALC Act have the authority to grant high school credits and issue diplomas.

**Actions Planned**

At the next reprinting of Mature Student High School diplomas, an identifying number will be affixed to each one. When a request for diplomas is received, the diplomas allocated will be recorded. Adult Learning Centers will be reminded to keep diplomas in a secure location, and asked to return to the Department all unused diplomas.

## 14.0 Keewatin Community College - Investment in Information Technology

*Original issue date: February 2002*

### Subsequent Events

In July 2004, Keewatin Community College officially became the University College of the North.

### 14.1 STATUS OF RECOMMENDATIONS AS AT MARCH 31, 2004

We recognize that preparing for the College’s expanded mandate has taken considerable effort on the College’s part. As a result the College was unable to fully implement all of the recommendations in our 2002 report.

We believe the creation of the University College of the North, has heightened the significance of our recommendations. We encourage the College to consider the full impact of our recommendations as it develops new plans, policies, and procedures under its expanded mandate as University College of the North.

**FIGURE 13**

Status as at March 31, 2004 of Recommendations Issued in February 2002							
Total	Implemented	Alternative Solution Implemented	Significant Progress	Some Progress	No Progress	No Longer Relevant	
<b>Total</b>	29	13	-	7	9	-	-

### 14.2 SUMMARY OF OUR ORIGINAL REPORT

#### About the College

The University College of the North was established by legislation effective July 1, 2004. The new institution is dedicated to the post-secondary educational needs of all northern residents, combining university and college opportunities to offer students both degree programs and college diplomas and certificates. The services offered by Keewatin Community College are continued within the University College of the North.

At the time of our audit, Keewatin Community College offered over thirty diploma and certificate programs in the areas of applied science, technology, business, health, trades,

and vocational fields. Campuses were located in The Pas and Thompson, with regional centres located in Cross Lake, Churchill, Flin Flon and Swan River. Approximately 200 academic and administrative staff provided education services to 1,200 full and part time students. In addition, the College provided training to approximately 900 participants in contract training programs. The expenditure budget for 2000/2001 was \$17.7 million. Revenues included Provincial grants of \$12.1 million.

### ***Audit Purpose and Scope***

The purpose of our audit was to answer the following questions:

- Is the College making sufficient progress in achieving its information technology objectives?
- Are information technology systems and services adequately meeting the needs of users?
- Are information technology purchases economic and effective?
- Is the College taking appropriate action to minimize the risk of unauthorized access to its computer networks?

Our audit procedures were conducted during the period of September 2000 to January 2001.

### **Conclusions**

Although IT objectives were not articulated in a multi-year IT strategic plan, two specific IT objectives were included in the College's Operational Plan 2000. We concluded that significant progress had been made in accomplishing many of the tasks associated with the two IT objectives.

While College staff believed that systems and services had improved over the last two years, additional system and service enhancements were required to ensure that:

- staff were satisfied with the nature and quality of information available;
- staff and students could rely on the technology;
- the help-desk function was as effective as it should be; and
- staff and students had access to the IT training they required.

The College's purchasing policies foster economic and effective acquisitions, and recent purchases have contributed to increased standardization. However, we identified certain IT purchases where the College did not comply with key aspects of the approved purchasing policies. In particular, we were concerned that a significant IT purchase was made without due regard for demonstrating that value for money was obtained.

Many actions to promote appropriate security had been taken. We acknowledged the awareness and concern by IT management for adequate security. However, the College's increasing reliance on technology and the use of the Internet have significantly increased the security risks faced by the College. In light of this environment, we concluded that the College should take additional actions in order to minimize the risk of unauthorized access to its computer networks.

### 14.3 REPRESENTATIONS OF THE COLLEGE

The University College of the North's representations on the implementation status, as at March 31, 2004, of the recommendations from the February 2002 Auditor General report on the Keewatin Community College - Investment in Information Technology are included in this section.

As noted in our **Review Comments** (Section 3.0), based on our review procedures, nothing came to our attention to cause us to believe that the College's representations do not present fairly, in all significant respects, the progress made in implementing our recommendations. Our review was made in accordance with Canadian generally accepted standards for review engagements, and accordingly consisted primarily of enquiry, review and discussion of the information supplied by the College.

#### Recommendation 1

Significant Progress

**That the College develop a multi-year strategic IT plan.**

##### *Actions Taken*

The College has recently issued a planning document called "IT Strategic Plan 2003/04". The plan is available to the public on the College's website. The plan includes specific activities to be completed by the IT Department during the period 2003/04 to 2005/06 and highlights the need for a quality communications infrastructure to support teaching and administrative functions in a broad geographical area..

##### *Actions Planned*

The President intends to appoint the IT Director to chair a task force to develop a multi-year IT infrastructure plan that will support the University College of the North's mission to deliver post-secondary education to people throughout northern Manitoba.

In keeping with the College's technological vision, the plan will include timelines and a detailed budget for providing to the College's ten regional centres, the same infrastructure and potential for distributed education that exists at The Pas and Thompson campuses.

A summary plan will be presented to the Interim Council (Board) in October 2004 for their consideration and approval in principle. The summary plan will also be presented to the Council on Post Secondary Education.

A detailed IT Infrastructure Plan will then be prepared and will include components common to IT strategic plans including:

- A discussion and analysis of risks and opportunities;
- A multi-year acquisition plan outlining how the College intends to increase its use of technology to further its business objectives;
- A multi-year computer and technology replacement plan; and

- An estimate of the resources required to achieve the goals and activities set out in the plan.

The IT Infrastructure Plan will form part of a comprehensive overall capital plan.

## Recommendation 2

**That the College develop a computer replacement plan and review its current minimum standard for staff desk top computers to ensure the standard is sufficient to effectively run College software.**

Significant Progress

### *Actions Taken*

The College has developed policy guidelines for the replacement of computer equipment. These guidelines have been incorporated in the IT Policies and Procedures and require the replacement of all computers on either a 3 or 5 year replacement cycle, depending on use.

The College's minimum standards for both desktop and laptop computers are also incorporated in the IT Policies and Procedures. The College reviews these standards each year, taking into account advances in technology, and adjusts the specifications as deemed necessary to effectively run College software and meet the training needs of students.

### *Actions Planned*

The details of a multi-year computer replacement plan, including the number of computers to be replaced each year and an estimate of costs, will be included in an updated IT strategic plan that will reflect the transition from Keewatin Community College to University College of the North.

## Recommendation 3

**That the College undertake a detailed examination of the adequacy of information and reports generated by their information systems.**

Implemented

### *Actions Taken*

The College has reviewed its information needs and has revised its data management systems to provide more accurate statistical information and more effective reporting to government. For example, the enrolment activity reporting has been revised in consultation with the Department of Advanced Education and Training.

The College also reviewed report formats and has designed new report formats that better meet the information needs of the College and others. A new report delivery system has been developed and many reports are now available securely over the internet.

In order to achieve these improvements, the College has invested in three major information system software upgrades, and has also purchased additional software for developing reports.

The College recognizes the need for ongoing review of the adequacy of information and reports generated from our systems and will ensure that this is taken into account as plans are more fully developed under the College's new mandate as University College of the North.

## **Recommendation 4**

Significant Progress

**That senior management define the expected service levels to be provided by the IT Department, and communicate these service levels to users.**

### ***Actions Taken***

The IT Department has defined service levels for attending to user service requests. All requests for service are processed through the College's Helpdesk including requests for system changes. These requests are evaluated for priority based on criteria set out in the IT Policies and Procedures including the number of people affected and the significance of the problem. Based on this initial evaluation, each service request is assigned a priority level ranging from "Urgent" to "Long Term". Helpdesk response times are shortest for "Urgent" problems and longest for "Long Term" problems.

Other service standards developed include the hours of operation for the IT Department and standards regarding critical service outages.

### ***Actions Planned***

The IT Department will also develop service standards for other IT services and will communicate them to users.

## **Recommendation 5**

Some Progress

**That management monitor the actual service levels achieved.**

### ***Actions Taken***

Some performance information regarding service levels achieved has been included in the College's IT Policies and Procedures available to staff and students on the College's website. This information includes IT expenditures, the number of computers available to students expressed as a percentage of the total number of students, and the number of technology enabled classrooms as a percentage of the total number of classrooms.

The IT Department has also installed helpdesk software that will track Helpdesk service requests and provide reports on service performance.

### ***Actions Planned***

The College intends to provide more information regarding achievement of service levels including a summary of Helpdesk activity showing the number of service requests open, pending, closed, and cancelled as a percentage of the total number of service requests. The average time required to address requests will also be shown.

In addition, the IT Department will also develop management information reports that compare actual service performance achieved to the service standards set out in the College's IT Policies and Procedures.

**Recommendation 6**

**That the IT Department strengthen their process for managing requests for changes to information systems.** Implemented

*Actions Taken*

All requests for changes to information systems are processed through the College's Helpdesk and are assessed against the service criteria set out in IT policies and procedures.

The systems in place at the College are purchased packages and as such, the changes that can be made to these systems are limited. In most cases, the data entry screens and many of the reports cannot be changed by the College. For those changes that can be made, the service requests are tracked by the Helpdesk software program.

**Recommendation 7**

**That the IT Department establish and document minimum standards and procedures for operating and supporting the technological infrastructure.** Some Progress

*Actions Taken*

The IT Department has established some standards and procedures for operating and supporting the technological infrastructure including:

- Naming standards for computer equipment;
- Instructions for installing workstation operating systems and software; and
- Instructions for installing specialized software.

*Actions Planned*

The IT Department intends to update the documentation of minimum standards and develop more detailed procedures for operating and supporting other components of the technological infrastructure such as networks, servers, routers, and printers.

**Recommendation 8**

**That the College develop an inventory listing of IT equipment that captures necessary information such as components information, physical location and configuration details.** Significant Progress

***Actions Taken***

The College’s current inventory system is old, outdated, and difficult to maintain. The system only tracks basic information such as date of purchase, physical location, model, and serial numbers of computer equipment. The system’s reporting capabilities are limited and not all IT equipment is recorded in the system. Some low cost equipment valued under \$750, such as printers, are not recorded as an asset in the College’s main inventory system.

Because of the limitations of the College’s main inventory system, the IT Department maintains its own equipment records that include additional information about location, workstation components, server hardware, and software. Some low cost components such as keyboards and inkjet printers valued under \$250 are not tracked as part of the IT inventory records. Each May, the IT Department verifies and updates its records.

The IT Department also maintains a separate record of all software installed by the IT Department on each computer. Most of the software currently in use at the College is licensed for use on all College computers. As a consequence, monitoring software installation records for compliance to licensing agreements is not a priority.

***Actions Planned***

The College has purchased a new asset management system to replace the College’s current outdated system. This system will be operationalized during the upcoming year. The IT Department will assess the new system to determine whether it would provide sufficient information to allow the IT Department to discontinue maintaining separate records for IT equipment.

**Recommendation 9**

Implemented

**That periodic physical counts be conducted.**

***Actions Taken***

The College conducts an annual physical count to verify all College assets including computers, servers, printers, scanners and other peripheral equipment. A bar code is fixed to each piece of equipment to facilitate the count and help ensure completeness and accuracy.

**Recommendation 10**

Significant Progress

**That the IT Department develop help desk service guidelines and identify, track and report outcome-oriented performance measures for its help desk.**

***Actions Taken***

The College has installed software to track service requests and monitor performance. Service levels for the Helpdesk have been defined as part of the IT Policies and Procedures available to staff and students on the College’s website. Requests for service are evaluated based on the number of people affected and the significance of the problem. Based on this initial evaluation, each service request is assigned a priority level ranging from

“Urgent” to “Long Term”. Helpdesk response times are shortest for “Urgent” problems and longest for “Long Term” problems.

Other service standards include the hours of operation for the IT Department and standards regarding critical service outages.

**Actions Planned**

As noted in the response to Recommendation 5, IT Department intends to develop management information reports that compare actual service performance achieved to the service standards set out in the College’s IT Policies and Procedures.

**Recommendation 11**

**That the College conduct a more detailed assessment of the IT training needs of their staff and students.**

Implemented

**Actions Taken**

The College was satisfied with the amount of training information contained in the staff satisfaction survey conducted by the Office of the Auditor General as part of their audit. Based on this information, the College has made a number of improvements to the IT training available to staff and students. These include:

- Making formal classroom computer training available to staff each May and June. Additional staff training is conducted on an “as needed” basis; and
- Acquiring self-paced learning software for productivity tools such as word processing, spread sheets, and presentation software. This learning software is available to all staff and students and addresses the most frequently requested training needs.

While the Learning Assistance Centre and course instructors continue to share the main responsibility for student IT training, the IT Department has also produced additional user manuals, instructions, and on-line help services to further aid staff and students in using the technology available to them.

**Recommendation 12**

**That management conduct a detailed evaluation of its distance education program.**

Some Progress

**Actions Taken**

At the time of the audit, the distance education instructional delivery system was relatively new to the College. Since then, instructional staff has become more familiar with using the technology and have improved their program delivery techniques.

Improvements have also been made to the technology supporting the distance education program based on informal feedback received from distance education staff and students. These improvements include the addition of projection systems, wireless microphones, and wireless keyboard and mouse.

In addition, the College has collected data on its Nursing distance education program.

***Actions Planned***

The data collected on the Nursing distance education program will be analyzed and an evaluation of the program will be completed during 2004/05.

**Recommendation 13**

Some Progress

**That the College develop standards for all components of the technological infrastructure.**

***Actions Taken***

The College has adopted standards for its desktop equipment and application software. These standards are documented in the College's IT Policies and Procedures.

***Actions Planned***

The College's transition to University College of the North may require significant changes to the College's infrastructure. The development of standards for networking and peripheral equipment will be documented as part of the transition process.

**Recommendation 14**

Implemented

**That the College ensure their policy regarding the approval of IT purchase orders by the IT Director be complied with.**

***Actions Taken***

The Purchasing Procedure included in the College's Policy and Procedures Manual requires that all computer hardware and software orders must be approved by the IT Director or his designate. To ensure compliance, the College examines each purchase order for IT equipment or software to verify that it has been approved by the IT Director or his designate before the purchase order is processed. As an added control, all capital purchases must also be approved by the Executive Director, Finance and Administration.

**Recommendation 15**

Some Progress

**That the College periodically assess the adequacy of its IT security measures.**

***Actions Taken***

The College assesses security annually through an informal self assessment process and as a result, has taken a number of steps to improve security including:

- Filtering incoming internet traffic to allow only necessary traffic through;
- Encrypting information that is transmitted over the internet;
- Centralizing the authentication process of all of KCC internet services;

- Improving password controls;
- Active monitoring of network traffic in Thompson; and
- Updating computers and servers with software patches, security fixes, and antivirus updates.

**Actions Planned**

Over the next year, the College intends to merge online services into a single portal. With a single point of entry, security will be simplified and it will be easier to identify and correct problems.

Assessment of IT security is an ongoing activity and the College is continually taking action to improve security as threats are identified. Because of the College’s limited resources, the use of external consultants to conduct detailed security audits may not be possible. As an alternative, the College is investigating the possibility of having another post secondary institution perform periodic formal IT security assessments.

**Recommendation 16**

**That the College inspect, on a monthly basis, the fire extinguishers at the Thompson campus.**

Implemented

**Actions Taken**

All fire extinguishers at both the Pas and the Thompson campuses are now inspected each month.

**Recommendation 17**

**That the College strengthen after hour security measures.**

Implemented

**Actions Taken**

For The Pas campus, after-hours access is permitted only through one door and staff, students, and the public are required to sign in and out if entering the building after regular hours. As an added security measure, on-site security personnel are required to make regular inspection rounds of the campus to ensure only authorized people are on campus after regular hours.

For the Thompson Campus, a sign in log is maintained at the main residence building, but it is not practical to directly monitor or restrict access to the other two campus building. However, Security personnel are required to make regular inspection rounds of all three campus buildings and will challenge people to ensure that they are authorized to be on campus after regular hours.

Implemented **Recommendation 18**  
**That the College restrict daytime access to all rooms or offices that house servers or other network equipment by requiring that these locations be locked at all times.**

*Actions Taken*

All servers at both The Pas and Thompson campuses are now located in securely locked server rooms that are only accessible to authorized staff. In addition, all computer labs have been re-wired so that all network equipment is located either in a locked wiring closet or in a secure server room.

Implemented **Recommendation 19**  
**That the College utilize high security type locks for rooms or offices that house servers.**

*Actions Taken*

High security locks have been installed on all computer server rooms at both The Pas and Thompson locations, restricting access to authorized personnel only. In addition, all servers or network equipment located outside of locked computer rooms are protected in secure locked wiring closets.

Implemented **Recommendation 20**  
**That the College encrypt sensitive information when transmitting between locations.**

*Actions Taken*

All data from the Financial and the Student Systems transmitted between The Pas and Thompson campuses is now encrypted. All reports transmitted over the internet to other locations are also encrypted.

Implemented **Recommendation 21**  
**That the College strengthen the password controls by educating users on the importance of more complex passwords.**

*Actions Taken*

Guidelines for selecting passwords have now been strengthened and are clearly stated in the Use of Computer Facilities/Email Policy signed by all staff. These guidelines state that staff should not use any part of their account name in the password and that they should use alphanumeric combinations. Such combinations make guessing a password difficult.

The Student Acceptable Use Policy does not include specific password instructions; however, students are required to also use alphanumeric combinations for passwords. Students are also informed that computer passwords must be kept confidential and not

given out to others. By signing the acceptable use forms, students accept responsibility for all actions performed on their accounts.

As an added control, both staff and student passwords must be changed every 90 days.

**Recommendation 22**

**That the College monitor for unauthorized network access attempts and Internet usage.** Some Progress

*Actions Taken*

The Thompson campus monitors for unauthorized network access attempts and Internet usage.

*Actions Planned*

Implementation of monitoring controls at The Pas Campus and other locations was delayed because of changes required to the network infrastructure.

Implementation of monitoring for unauthorized network access attempts and Internet usage is planned for The Pas in July 2004 and for regional centres by June 2005.

**Recommendation 23**

**That the College revoke, on a timely basis, access privileges for withdrawing or graduating students and for employees who leave the College's employ.** Some Progress

*Actions Taken*

For staff, the IT Department disables or removes accounts when notification is received from the Human Resource Division and Registration that a staff member has left the College's employ.

*Actions Planned*

The IT Department is considering modifications that would allow the Human Resource Division and Registration to directly disable an account when a staff person leaves the College's employ or when a student withdraws from all courses.

The IT Department is writing a software program for the automated creation and disabling of student accounts. This program will be completed by September 2004.

**Recommendation 24**

**That access privileges be suspended when staff or student accounts are not accessed for an extended period of time.** Implemented

*Actions Taken*

As part of the password security controls, all accounts that have not been accessed for 90 days are automatically suspended and the account can no longer be accessed. The

account owner must see the IT Department to have their account reactivated before they can again access their account.

Significant Progress

**Recommendation 25**

**That the College sanitize (erase) all computer hard disks, removable hard disks, diskettes and tapes prior to disposal.**

*Actions Taken*

Beginning January 2001, all computer hard drives, removable hard disks, diskettes, and tapes are sanitized prior to disposal to ensure that any data that may be contained on the storage media has been permanently removed, however, this requirement has not as yet been documented in IT Policies and Procedures.

*Actions Planned*

The IT Department will include the requirement for sanitizing data storage media prior to disposal in IT Policies and will communicate this requirement to all College's staff. The IT Department will also develop suitable procedures for the disposal of IT equipment to ensure that all equipment is sanitized before disposal.

**Recommendation 26**

Some Progress

**That the College better segregate its internal network from publicly accessible servers.**

*Actions Taken*

For the Thompson Campus, the College has moved student desktop systems and many of its servers behind a secure firewall to prohibit public access.

*Actions Planned*

The College plans to move the Student Records and Finance Systems maintained at the Pas Campus to their own private secure network. Access to and from this network will be monitored and controlled by a secure firewall prohibiting public access. This change will be completed by March 31, 2005.

In addition, the College also plans to move all desktop systems and many of its servers to a separate private network protected by a secure firewall. This change will be completed for all locations by August 2004.

**Recommendation 27**

Implemented

**That the College upgrade the communication band width to T1 capacity to better accommodate security measures.**

*Actions Taken*

The communication link between The Pas and Thompson campuses was upgraded to the T1 level of service in April 2001.

## Recommendation 28

**That the College develop and implement policies and procedures to promote a sufficiently secure IT environment.**

Significant Progress

### *Actions Taken*

The College has developed a number of policies and procedures to promote a more secure IT environment. These include:

- Acceptable Use Policy (for staff and students);
- File Backup Policy;
- Reporting Critical Service Outages Policy;
- Personal Computers Connected to College Network Policy;
- Hardware and Software Standards Policy; and
- Perimeter Firewall Policy.

### *Actions Planned*

The College will continue to develop and implement policies and procedures to promote a secure IT environment as part of its transition to University College of the North.

## Recommendation 29

**That the College develop and implement a security awareness program for all staff and students.**

Some Progress

### *Actions Taken*

Actions taken on other recommendations have helped to raise security awareness at the College. These include:

- Development of acceptable use policies for staff and students;
- Implementation of the Helpdesk promotes better communication with users regarding security; and
- IT Policies and Procedures are available to all staff and students through the College's website. These Policies and Procedures help promote system security.

### *Actions Planned*

The College intends to develop a security awareness program as part of its transition to University College of the North.

## Response from the Province

*As indicated in the report, for the most part, the eleven progress reports provide a review of the status of implementation of past recommendations from the Auditor General, as at March 31, 2004. Significant progress has been made since that time by the Departments and entities to address and implement these recommendations.*

*As an example, three of the progress reports relate to past audits in the Department of Family Services and Housing as follows: Audit of the Child Day Care Program Subsidies, Audit of the Lion's Club of Winnipeg Housing Centres, and Audit of the Child and Family Support Branch - Agency Accountability. As of July 2005, the Department has implemented all but one of the outstanding recommendations related to the Child Day Care audit. Substantial progress has also been made with respect to addressing the recommendations in the Lion's Club audit, and it appears feasible that control and management of operations will be returned to the Lion's Club in the near future.*

*With respect to the outstanding recommendation from the report on the Lion's Club (page 72 of the Report) that "the Province should make it a condition of providing public monies to not-for-profit organizations, that neither individual board members nor their companies should benefit from the public monies"; the government intends to review this issue as part of a corporate review of Grant Accountability requirements that is currently in progress. In addition, the new Agency Accountability Unit in the Department of Family Services and Housing has made significant progress over the past six months with respect to strengthening the agency accountability processes in the Department.*

*With respect to the progress report related to the Audit of the Maintenance Enforcement Program, it should be noted that the majority of outstanding recommendations will be addressed when the program implements a new management information system that is capable of addressing the information requirements recommended in the report. Experience in other Canadian jurisdictions has demonstrated that maintenance enforcement systems require years to develop and are multi-million dollar projects. Rather than Manitoba building its own unique system, the Government of Alberta has offered their new and successful maintenance enforcement system to Manitoba. The Alberta system meets most of Manitoba's business requirements, will be more cost effective and pose less risks than developing a similar system internally. Manitoba is currently conducting a technology assessment, and developing project plans and cost estimates, with a view to bringing the Alberta system to Manitoba in the 2006/07 fiscal year.*

*In conclusion, the Government is committed to continue working on implementing the recommendations outlined in this and other reports issued by the Office of Auditor General.*