Ministry of Community and Social Services

Ontario Works Program

Background

The Ministry of Community and Social Services (Ministry) provides social assistance under two programs to approximately 450,000 individuals as well as their qualifying family members for a total of over 700,000 people. Under the provisions of the *Ontario Disability Support Program Act*, income and employment supports are provided to approximately 250,000 individuals with eligible disabilities, as defined by the act. Under the *Ontario Works Act*, the subject of this audit, the Ontario Works program provides income and employment assistance to approximately 200,000 individuals in temporary financial need, who are unemployed or underemployed. Ontario Works income assistance

is intended to help eligible applicants with basic living expenses such as food, clothing, personal needs, and shelter. Employment assistance for eligible applicants includes a variety of activities intended to increase their employability and help them obtain employment and become self-reliant.

Basic income assistance under Ontario Works is generally less than comparable payments under the Ontario Disability Support Program. A comparison of typical monthly benefits, all of which are tax-free, between the time of our last audit in 2002 and the 2008/09 fiscal year appears in Figure 1.

In addition to income assistance, Ontario Works recipients also may be eligible for benefits for a number of other items to assist in specific circumstances on the basis of established need. These include:

Figure 1: Maximum Monthly Ontario Works Benefits (Tax-free)
Source of data: Ministry of Community and Social Services

	Single Person		Single Person With One Child		Couple With One Spouse Disabled and Two Children	
	2001/02	2008/09	2001/02	2008/09*	2001/02	2008/09*
basic needs allowance ($)	195	216	446	360	576	429
maximum shelter allowance ($)	325	356	511	560	602	660
Total ($)	**520**	**572**	**957**	**920**	**1,178**	**1,089**
comparable ODSP benefit ($)	930	1,020	1,424	1,423	1,816	1,680

* reduction due to the introduction of the Ontario Child Benefit

- health-related necessities, including medical supplies, and basic dental and vision care;
- community start-up benefits to assist in the establishment of a permanent residence; and
- employment start-up and participation-related expenses, including transportation, training fees, and clothing.

To be eligible for assistance, applicants must demonstrate financial need by providing evidence that their non-exempt liquid assets and income levels fall below specified amounts. In addition, applicants also are required to sign an agreement to participate in one or more activities designed to gain skills and progress toward sustainable employment, unless granted a deferral for medical or other reasons.

The Ontario Works program is delivered on behalf of the Ministry by 47 Consolidated Municipal Service Managers and District Social Services Administration Boards as well as 100 First Nations, referred to as service managers. A service manager is typically either a large municipality or a grouping of smaller ones, and each one is accountable to one of the Ministry's nine regional offices. Service managers have been designated the regulatory authority to make eligibility determinations.

The Ministry and the service managers share the total financial and employment assistance costs of the Ontario Works program, as shown in Figure 2. The Ministry, which pays 80% of these costs, has committed to start gradually increasing its share in 2010 until it pays 100% in 2018. Administrative costs will continue to be shared on a 50/50 basis up to the approved budget.

In the 2008/09 fiscal year, the Ministry's share of income assistance provided to individuals

Figure 2: Cost-sharing of Ontario Works Expenditures (2008/09) (%)
Source of data: Ministry of Community and Social Services

	Ministry	CMSM
income assistance	80	20
employment assistance	80	20
administration	50	50

through Ontario Works was more than $1.5 billion. The Ministry spent a further $194 million for program administration and $171 million on employment assistance programs. The Ministry's total Ontario Works expenditure for 2008/09 was therefore about $1.9 billion.

Since the time of our last audit in 2002, the program's caseload has increased by 3% and the Ministry's share of program expenditures has increased on average by approximately 2% per year, as shown in Figure 3. The administration of Ontario Works is supported by the Ministry's computerized information system, commonly referred to as the Service Delivery Model Technology (SDMT) system. The system was implemented province-wide in 2002.

Audit Objective and Scope

Our audit objective was to assess whether the Ministry's policies and procedures for the Ontario Works program and its oversight of the Consolidated Municipal Service Managers were adequate to ensure that:

- only eligible individuals received the correct amount of financial assistance as well as appropriate employment assistance to help them find paid employment and become self-reliant; and
- the Ontario Works program was delivered with due regard for economy and efficiency.

The scope of our audit included a review and analysis of relevant ministry files, policies, and procedures, as well as interviews with appropriate staff at the Ministry's head office, at three regional offices (Toronto, Hamilton-Niagara, and Northern), and at three municipal service managers that we visited. Collectively, the three service manager offices we visited represented approximately 40% of the Ministry's total program cost. We also requested summary statistics and other information about the program from the 44 service managers

Figure 3: Ontario Works Caseload and Ministry Share of Expenditure
Source of data: Ministry of Community and Social Services

Year	# of Cases	% Change	# of Dependents	Total Beneficiaries	Total Ministry Expenditure ($ million)	% Change
2001/02	196,596		222,897	419,493	1,669.2	
2002/03	195,137	(0.7)	208,930	404,066	1,726.0	3.4
2003/04	192,096	(1.6)	197,657	389,751	1,639.5	(5.0)
2004/05	191,723	(0.2)	188,946	380,669	1,677.0	2.3
2005/06	198,378	3.5	188,424	385,806	1,753.2	4.5
2006/07	199,242	0.4	183,826	383,068	1,794.5	2.4
2007/08	194,920	(2.2)	176,955	371,873	1,807.4	0.7
2008/09	202,181	3.7	178,261	380,446	1,899.2	5.1

that we did not visit, and over 80% responded to our request.

We retained the services of an IT security specialist to help us assess the security of the SDMT system and follow up on system-security issues identified in previous audits. We also met with senior representatives of a client stakeholder group that advocates on behalf of social assistance recipients to obtain their perspective on the issues facing Ontario Works.

We set objectives for what we wanted to achieve and developed audit criteria that covered the key systems, policies, and procedures that should be in place and operating effectively. We discussed these criteria with senior management of the Ministry, who agreed to them. We then designed and conducted tests and procedures to address our audit objectives and criteria.

Although our audit work, particularly with respect to income and employment assistance, often covered a number of years, our findings emphasized the assessment of, and compliance with, the policies and procedures in place for the Ontario Works program during the 2007/08 and 2008/09 fiscal years.

We also reviewed a number of recent audit reports issued by the Ministry's Internal Audit Services, many of which related to specific aspects of the SDMT system. These reports contained a

number of findings that we considered in determining the scope of our own review of the SDMT system. However, none of the reports concentrated on basic needs and shelter allowance, employment assistance, and program administration costs, which together constituted the main focus of our audit. We were, therefore, unable to rely on these reports to reduce the scope of the primary focus of our work.

Summary

Although the Ministry has implemented a number of the changes we recommended in our 2002 audit, there has been limited improvement in the administration of the Ontario Works program since that time. It remains our view that the Ministry still has inadequate assurance that only eligible individuals receive financial assistance and in the correct amount. Although the Ministry considers Ontario Works financial assistance to be a temporary measure, about one-third of the recipients in the three municipal service managers' offices we visited were receiving payments for longer than two years and some 13% for more than five years.

An appropriate level of oversight is necessary if the Ministry is to have confidence that only eligible

individuals receive financial assistance and in the correct amount. We found that further improvements in overseeing service delivery were needed. As well, given the size and scope of Ontario Works, the supporting information technology system must be reliable and provide the information needed to enable the program to be effectively managed. We again had concerns in this area.

With respect to the Ministry's oversight of Ontario Works program delivery by the service managers, our specific concerns included the following:

- During the Ontario Works application process, municipal service managers rely on individuals to provide almost all the information used to determine their initial eligibility for income assistance. The risk of new applicants under-reporting their income and assets is compounded by the fact that the service managers seldom undertook the required third-party verifications—because they felt they were not necessarily required at the initial eligibility stage.

- Many assistance recipients did not submit the required income reports every month—often failing to do so for extended periods of time—and we seldom found any documentation on file to indicate that this reporting stipulation had been waived.

- Benefits for such things as community and employment start-up activities were often paid without any evidence that the activity had occurred and/or documentation to support the amount reimbursed. Such payments also often exceeded established maximums.

- Many applications for special dietary allowances were associated with questionable circumstances. For example, we found several instances where each member of a large family was diagnosed by a health-care practitioner with identical multiple medical conditions. As a result, in one example, a family of 10 people each received the maximum special dietary allowance of $250 per month, or about $30,000 a year for the entire family (combined with other allowances, such a family would receive approximately $50,000 in a year, tax-free). The total amount spent on dietary allowances has increased from $5 million in the 2002/03 fiscal year, the time of our last audit, to more than $67 million during the 2008/09 fiscal year.

- Unrecovered overpayments to approximately 350,000 current and former Ontario Works recipients increased from $414 million in February 2002 to $600 million as of March 31, 2009—a 45% increase. Efforts by service managers to recover these overpayments had been minimal, possibly owing in part to the lack of financial incentive for them to do so.

- Many tips from the fraud hotline were either inadequately investigated or ignored.

- We found little evidence in recipient files to indicate that the service manager caseworkers were involved in determining the most appropriate employment assistance activity and there is no standard requirement to document this process. Rather, recipients usually selected the activity that they felt was best suited to get them back into the workplace. Our province-wide analysis showed that two-thirds of recipients listed "independent job search" as the most beneficial activity.

- We found that the Ministry's required reviews of a sample of service-manager files were being done on time and that the work was being reasonably well done. However, even though the Ministry was noting many of the same systemic file deficiencies that we identified during our audit, there seemed to be little progress in addressing those deficiencies from one year to the next.

- The Ministry's examinations of a sample of service managers' reimbursement claims did not occur on an annual basis as required, nor did the Ministry ensure that submitted claims were complete, accurate, and based on actual payments made to recipients. These reviews

are critical given the fact that the Ministry's subsidies totalled $1.5 billion in the 2008/09 fiscal year.

- The Ministry continued to reimburse service managers' administrative costs on an historical basis rather than on a formula based on costs per case. At the same time, the Ministry lacked the detailed information necessary to assess the reasonableness of the service managers' expenditures for administration. In addition, some service managers felt that they were absorbing much more than their 50% share of approved administrative costs.

- The Ministry had insufficient information to assess whether employment assistance funds were being used as intended and whether these expenditures were actually helping people obtain employment.

- The Ministry had very little information available to assess the efficiency and effectiveness of program delivery. However, the Ministry introduced outcome measures as a pilot project in 2006, to be reported on by service managers over two-year cycles. The first of those two-year cycles began in 2008 and required service managers to track performance and assess employment strategies based on outcome targets.

Despite improvements to the Ministry's Service Delivery Model Technology information system since its rollout in 2002—many of which were intended to enhance reliability as well as the completeness and accuracy of its information—the system continues to have reliability concerns and known deficiencies. They included:

- SDMT system users did not receive in an easily understandable format the information they needed to effectively manage and oversee the program. In addition, the system lacks a report-writing function that allows users to easily extract the information they need on an ad hoc basis.

- Service managers told us that they compensated for the SDMT system's limitations by

developing approximately 150 different work-around systems and processes. The service managers advised us that the development of many of these standalone workarounds incurred considerable costs and time. For instance, most service managers maintain standalone systems to manage the Ontario Works employment assistance function, a critical component of the program that the SDMT does not cover as comprehensively as required.

- Although there is a reasonable level of security control to protect the system from external attacks, it is not adequate to prevent an internal system user with IT knowledge from escalating restricted access to full access, which increases the risk of fraudulent payments being made.

We understand that the government has designated the SDMT system as a priority as part of its project to remediate high-risk applications. The Ministry is reviewing its options for potential system refinements or other opportunities to improve the system's technology. It is to prepare a business case in this regard for late autumn 2009.

OVERALL MINISTRY RESPONSE

The Ministry of Community and Social Services welcomes the findings and recommendations of the Auditor General with respect to the delivery and oversight of the Ontario Works program. This is a vital service for some of the most vulnerable citizens of Ontario, particularly in the current economic times. The Ministry has taken steps over the past several years to improve program oversight and management, and will continue to focus efforts on improving program administration.

Detailed Audit Observations

MINISTRY OVERSIGHT AND CONTROL OF PROGRAM DELIVERY

Program Delivery Overview

In most cases, an individual starts the application process for Ontario Works benefits by visiting or telephoning the local municipal service manager. During this initial contact, service manager staff provide the individual with information regarding the application process, including eligibility criteria and the information and documentation required to complete the application. Service manager staff also obtain basic information about the individual such as name, address, age, number of dependants, and so on, which is entered into the SDMT system.

A decision with respect to eligibility for assistance is made after the application process is completed at an in-depth, intake appointment. The Ministry's goal is to have service managers conduct the appointment and make a decision within four days of the initial contact.

For the application to be complete, applicants must provide all of the previously requested information and supporting documentation. To be financially eligible, a person's total non-exempt assets must be at or below:

- $572 for a single person; and
- $989 if there is a spouse in the benefit unit (family).
  (These amounts are generally increased by $500 for each eligible dependant.)

Certain items, such as a principal residence, a primary vehicle valued at less than $10,000, a locked-in RRSP, and pre-paid funeral expenses, are excluded when determining whether the person's assets are below the prescribed limit. To be eligible for even a partial Ontario Works benefit, 100% of the applicant's total family non-exempt income must be less than the amount of the potential Ontario Works entitlement. After three months of assistance, 50% of earned income and amounts paid under a training program are exempt as income when determining eligibility.

Applicants, their spouses, and any other dependent adults in the benefit unit must sign a participation agreement. This agreement requires that the individual takes part in selected employment assistance activities and makes reasonable efforts toward seeking and obtaining paid employment. If the applicant has provided all of the necessary information and documentation, a final decision is made and communicated in writing.

A request for emergency assistance can be made at any time during the application process, and up to 16 days of emergency income assistance for basic needs and shelter may be provided before a full application is required to be completed.

In cases where the application is denied, applicants can request an internal review within 30 days. The review, conducted by another caseworker or a supervisor, must be completed within 10 days of the request being received. If a review is not completed within 10 days, or the applicant is not satisfied with the internal review decision, he or she can appeal to the Social Benefits Tribunal, an independent body that operates at arm's length from the Ministry and the service managers.

Initial Financial Eligibility Assessment

As noted previously, applicants must provide municipal service managers with the necessary information to establish their eligibility for assistance and to determine the correct amount to be paid. They are required to provide a number of documents that, depending on the document, must be either visually verified and have its relevant details noted in the computer system or copied and placed on file. These documents include a Social Insurance Number card, Ontario Health Insurance card, birth certificate, and any other document considered necessary to verify a person's identity and legal status in Canada.

To determine the correct amount of assistance to be paid, applicants also must provide such things as monthly bank statements, pay stubs, records of employment, vehicle ownership registration forms, and evidence of shelter costs incurred.

Our review of a sample of files for individuals receiving Ontario Works benefits found that, in many cases, critical documents necessary to conclusively establish an applicant's identity and/or legal status were either not visually verified or a copy had not been placed on file as required.

For example, at one municipal service manager we visited, some 8% of all recipient files lacked a Social Insurance Number, an omission that makes it difficult, for example, to detect duplicate payments. Similarly, in a number of instances, there was no evidence on file that the recipient's proof of identity, date of birth, or legal status in Canada had been verified.

There is also an obvious risk that applicants could understate their income or assets when seeking assistance. As well, there is no assurance that an applicant has provided a bank statement for each account in his or her possession or all the pay stubs relevant to determining financial eligibility.

To help overcome this risk and help verify that the income and assets declared by applicants are complete and accurate, the Ministry has entered into a number of third-party, information-sharing agreements. These include arrangements with Human Resources and Skills Development Canada for employment insurance information, with the Canada Revenue Agency for tax return information, with Equifax for credit information, with the Ontario Ministry of Transportation for vehicle ownership information, and with the Family Responsibility Office to ascertain any support payments received.

The Ministry advised us that service managers must verify a recipient's declared income and assets with these organizations at the time of initial eligibility determination and during all subsequent financial eligibility reassessments. However, staff at the three service managers we visited did not interpret the Ministry's directives as requiring third-party verifications at the initial financial eligibility stage and, in practice, seldom undertook third-party verifications at that time.

Although service manager staff acknowledged that third-party verifications were required at the time of a subsequent financial eligibility reassessment, we found that sometimes they were also not completed at that time.

In our *2002 Annual Report*, we highlighted our concerns over ineligible applicants possibly receiving financial assistance. At the time, we said the Ministry "should reinforce with service managers its requirements for obtaining, documenting, and correctly assessing the required recipient information." The Ministry advised us then, as well as in our follow-up in the *2004 Annual Report*, that it would address this concern, yet many of the same issues are still not being adequately addressed.

RECOMMENDATION 1

To ensure that an individual's initial financial eligibility for Ontario Works benefits is adequately determined and that the correct amount of assistance is paid, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers:

- visually verify documents or obtain copies of all documents required to establish an individual's identity and legal status in Canada, especially Social Insurance Number cards; and
- comply in all cases with the requirement to verify an applicant's declared income and assets with the third parties who have entered into information sharing agreements with the Ministry.

MINISTRY RESPONSE

The Ministry recognizes the need to ensure that only eligible persons are provided assistance through Ontario Works and that the assistance provided is in the correct amount.

The Ministry has program verification standards in place to ensure initial and ongoing eligibility, and will take steps to ensure that service managers understand and comply with the program verification standards and requirements.

Financial Eligibility Reassessments

Ministry policy requires that municipal service managers reassess the continued financial eligibility of all their Ontario Works recipients at least once every 12 months from the time of the last assessment. In doing so, service managers are expected to follow a Ministry-developed Consolidated Verification Process (CVP) checklist that requires completion of most of the same procedures, including third-party verifications, that were to have been undertaken during the initial financial eligibility assessment. In addition, the SDMT information system flags each recipient's priority for an eligibility reassessment as high, medium, or low, on the basis of programmed risk factors. Service managers are expected to prioritize and complete the CVPs accordingly.

However, we found that financial reassessments were not conducted at least once every 12 months in approximately half the files we sampled. In fact, in some instances, a financial eligibility reassessment had not been completed for up to five years. In one such case, undeclared income for a recipient that could have been detected through a third-party verification resulted in a $38,000 overpayment over a four-and-a-half-year period. No CVP review was conducted during that time, so the recipient's income was not checked with the Canada Revenue Agency, as required by ministry policy.

Furthermore, service manager staff did not follow the Ministry-prescribed CVP checklist about one-quarter of the time. Regardless of whether the checklist was used, the necessary documentation was not on file in many cases to demonstrate that staff had adhered to the CVP requirements. Compounding our concerns over the lack of proper reassessment, we found that third-party verifica-

tions were not being conducted about one-third of the time at one service manager we visited.

We also note that none of the three service managers we visited used the SDMT system risk flags or were not using them as intended to identify high-risk recipients so that CVPs could be conducted on them first. However, one of the three service managers had developed its own risk-ranking system that it thought was more effective.

RECOMMENDATION 2

To ensure that recipients continue to be financially eligible for Ontario Works benefits and to avoid overpayments, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers:

- complete financial reassessments on each recipient at least once every 12 months as required;
- use the Ministry-prescribed checklist when conducting a financial reassessment and obtain sufficient documentation, including third-party verifications, to support the outcome of the review; and
- help ensure that the risk flags in the Service Delivery Model Technology system are effective and are used to prioritize high-risk cases for review.

MINISTRY RESPONSE

The Ministry agrees that appropriate action should be taken to verify ongoing eligibility.

The Ministry has program verification standards in place to ensure initial and ongoing eligibility, and will take steps to ensure that service managers understand and comply with program verification standards and requirements.

In addition, the Ministry will be implementing a risk-based approach to Ontario Works financial eligibility reassessments. This risk model will help to ensure that only eligible recipients remain on the program and that they receive the correct payments.

Other Income Reporting

As was the case at the time of our last audit, recipients are required to report income on a monthly basis—including changes in income—to help service managers determine ongoing eligibility for assistance and the correct amount of assistance to be paid. For recipients that have been on assistance for three months, 50% of their earned income or amount paid under a training program is deducted from the amount of their assistance. Non-exempt income from all other sources is deducted at a rate of 100%. However, service managers now have the discretion to waive the monthly income-reporting requirement for recipients who, according to one of the program's directives, "have no income to report or have a static or fixed income."

Our review of a sample of case files found that monthly income reports were frequently not submitted for many months, or not at all. In these cases, there was no evidence that the service manager had waived the monthly income-reporting requirement. One service manager indicated that its practice was to generally waive the income-reporting requirement in all cases—requiring the report on an exception basis only—and that there was therefore no need to document the waiver in each recipient file. However, in the absence of a waiver or any follow-up, it was unclear whether the recipient had income that should have been considered in determining the following month's entitlement. In that regard, we noted that the external auditor of one service manager found that over 60% of overpayments in a sample reviewed had resulted because recipients had failed to report their income.

RECOMMENDATION 3

To ensure that financial assistance provided by Ontario Works is in the correct amount and to minimize overpayments, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers receive a monthly income report from each recipient, unless they waived the requirement for sound reasons that are documented on file. If it is the Ministry's intention that Consolidated Municipal Service Managers require the report on an exception basis only, that should be more clearly communicated.

MINISTRY RESPONSE

The Ministry recognizes the need to ensure that only eligible persons are provided assistance through Ontario Works and that the assistance provided is in the correct amount. The Ministry will reassess the current requirements for income reporting. Following this reassessment, we will clearly communicate requirements and reinforce service managers' compliance.

Other Financial Assistance and Benefits

Ontario Works recipients may be eligible to receive supplemental income assistance or benefits in addition to assistance for basic needs and shelter. The most common supplemental assistance categories are shown in Figure 4.

Figure 4: Examples of Other Financial Assistance and Benefits

Source of data: Ministry of Community and Social Services

Benefit Type and Frequency	Maximum Amount ($)	2008/09 Expenditure ($ million)
community start-up and maintenance (once every 24 months)	799 single 1,500 family	77
special dietary allowance (monthly)	250	67
employment-related expenses (monthly)	250	50
other employment and employment assistance activities (once every 12 months)	253	27
funerals and burials	2,250	5

Examples of mandatory supplemental benefits for all eligible recipients or members of a recipient's benefit unit (family) include community start-up and maintenance benefits, other employment and employment activities benefits, and dental and vision care benefits for dependent children.

Other supplemental benefits can also be provided on a case-by-case basis at the discretion of the service manager. Examples of discretionary benefits include dental and vision care for adults, the cost of funerals and burials, and moving expenses.

Adequate documentation is to be placed in each recipient's file or noted in the computer system to support the decision to pay the supplemental assistance and benefit, and the amount paid.

Our review of the supporting documentation in a sample of recipient files found the following:

- There often was no evidence on file that community or employment start-up events—such as moving or taking a course, for which one-time supplemental assistance was provided—had occurred. For example, one service manager automatically made an annual employment start-up payment of $253 to everyone who was participating in any employment activity. However, the money is intended for recipients starting an activity for the first time that year, as opposed to a recurring annual payment.

- Similarly, the need for the various types of supplemental benefits provided often was not established. For example, several service managers automatically paid $100 a month for employment-related expenses to every participant that signed a participation agreement without establishing eligibility and requiring receipts. We noted that for one service manager, these monthly payments totalled more than $19 million in 2008.

- In most cases, there were no receipts on file, nor were there any notes in the SDMT system, to demonstrate the reasonableness of the amounts paid to the recipients, contrary to the program's requirements.

- Payments for various types of supplemental benefits frequently exceeded the established maximums. For example:

  - Service managers frequently paid training fees in amounts ranging from $7,000 to $13,000 per year under the "employment-related expenses" category, which has an average annual limit of $3,000 and is intended for minor training costs, certification fees, and other costs that support a person's progression to employment. This $3,000 limit can only be exceeded with formal approval by the service managers' administrator, which was not received. Employment-related expenses are paid out of a set envelope for employment assistance.

  - In one instance, an individual received nearly $13,000 in overpayments because an entitlement had been incorrectly inputted. Instead of receiving a one-time, $799 payment for community start-up and maintenance assistance, the person received that amount on a monthly basis for 17 months before the error was discovered.

We had similar observations relating to supplemental payments in our *2002 Annual Report*.

Special Dietary Allowance

A special allowance is to provide for additional assistance to each recipient and their families who require a special diet as a result of an approved medical condition. Before such an allowance can be provided, a health care professional—such as a doctor, nurse or dietitian—must complete an official application. A special-diet payment schedule issued by the Ministry is used to determine the amount of the allowance, depending on the medical condition. The amounts generally vary from $10 to $100 per condition per month. However, the total allowance for any one member of a family may not exceed $250 per month.

Province-wide, the total spent on special dietary allowances has increased substantially since the time of our last audit. In the 2002/03 fiscal year, annual special dietary payments totalled $5 million; in the 2008/09 fiscal year, the amount exceeded $67 million, a more than 12-fold increase. A significant part of this increase may be due to a campaign by advocacy groups critical of Ontario Works allowance amounts. At least one such organization has organized clinics where health-care professionals have immediately completed special diet allowance applications that entitled each attendee to the maximum $250 monthly supplement.

In light of the significant increase in special dietary allowance expenditures, one of the service managers that we visited took the initiative to review more than 1,000 of its clients receiving the allowance. It found that one of the 318 health-care practitioners who approved the 1,000 applications reviewed was responsible for approving almost 20% of them. As well, that same practitioner, a general practitioner, diagnosed, on average, nine medical conditions per applicant, compared to an average of about two per applicant diagnosed by other health-care professionals. Furthermore, this doctor diagnosed Celiac disease in 99% of the applications, which we feel is unreasonably high given that the nationwide incidence of this disease is estimated at 1% of the population. This service manager, and one other that we visited, formally requested in 2008 that the Ministry review the special dietary allowance province-wide. At the time of our audit, a formal province-wide review of the program had not been initiated.

Our review of a sample of case files found the following:

- There were some instances where families consisting of eight to 10 members had all been diagnosed with the same multiple medical conditions, entitling all to the maximum special dietary allowance of $250 per month. As a result, some of these families were receiving up to $30,000 a year from these dietary allowances alone, or approximately $50,000 in total allowances annually, all tax-free.
- There were a number of instances where an application for a special dietary allowance was completed by a health-care professional outside of the applicant's immediate municipal area, which leads one to suspect that many applicants go to a professional that is known to be predisposed to approve such requests.

RECOMMENDATION 4

To ensure that supplemental financial assistance and benefits provided under the Ontario Works program are reasonable and appropriate, the Ministry of Community and Social Services should make certain that Consolidated Municipal Service Managers:

- comply with the requirement to document the need and eligibility for supplemental financial assistance and benefits, and provide such assistance and benefits within the established maximum amounts; and
- obtain the required documentation to assess and substantiate the reasonableness of costs reimbursed.

In addition, the Ministry should review the special dietary allowance with a view to limiting its possible abuse.

MINISTRY RESPONSE

The Ministry agrees that the supports provided through Ontario Works should be reasonable and appropriate. The Ministry will reinforce with service managers the requirement to have appropriate documentation to support the provision of benefits within the established maximum amounts, where applicable.

The Ministry is continuously looking for ways to improve the Special Diet Allowance. In 2005, the Ministry introduced changes to the policy, the application process, and the application form in an effort to clarify the intent of

the allowance and to reduce the potential for misuse. Since that time, the Ministry has been monitoring the allowance through consultation with municipalities and other stakeholders, and will reassess practices and procedures to identify ways to further protect against misuse.

Overpayments

Overpayments occur when recipients are paid more assistance than they are entitled to receive. There are a variety of reasons for overpayments, ranging from fraudulent misrepresentation to incorrect evaluation of information. As of March 31, 2009, outstanding Ontario Works overpayments totalled $600 million.

Specifically, overpayments to approximately 60,000 active accounts totalled over $140 million, while overpayments to approximately 290,000 inactive or terminated accounts totalled approximately $460 million. Of the total amount, $67 million had been declared as "temporarily uncollectible" and not subject to collection effort. The overpayment amounts do not include outstanding balances that were transferred to another social assistance program as a result of the recipient moving to that program or that were written off.

Collection efforts by municipal service managers from inactive or terminated accounts are extremely limited. In general, they consist of sending three SDMT-generated collection letters over a 60-day period requesting that the debtor make arrangements to repay the outstanding amount. Not surprisingly, the amounts collected by service managers from inactive or terminated accounts in the 2008/09 fiscal year totalled less than $9 million, or 2% of the outstanding $460 million.

Service managers do not review or assess an overpaid individual's ability to repay. As a result, they do not concentrate their collection efforts on former recipients who, for example, have returned

to work or have acquired considerable assets and may now have the ability to repay.

Some service manager staff advised us that collection from inactive accounts is not seen as a priority because service managers pay 50% of the collection cost but retain only 20% of any collected amounts. In response to this issue, the Ministry initiated a pilot project with one service manager in 2006 whereby approximately $6.8 million from inactive, delinquent overpayment accounts was transferred to the Ministry's Overpayment Recovery Unit for referral to the Canada Revenue Agency's Refund Set-off Program.

However, collections on these transferred accounts were also disappointing, and the pilot project has not been rolled out across the province. We note that one of the service managers we visited wanted to retain the services of an outside collection agency but put that initiative on hold pending the outcome of the Ministry's pilot project.

With respect to collecting the $140 million in overpayments from active accounts, service managers can offset up to 10% of a recipient's current monthly benefits against any outstanding overpayments. However, in practice, service managers generally limit the offset to 5%. In addition, service managers have designated about 10% of these active overpayment accounts as temporarily uncollectible for a variety of reasons, such as hardship to the individual.

We found that, contrary to requirements, the reason for deferring collection of temporarily uncollectible accounts often was not documented in the system. In addition, caseworkers without supervisory approval can designate any overpayment as temporarily uncollectible and defer collection efforts indefinitely.

RECOMMENDATION 5

To better utilize its limited resources and maximize the recovery of previous overpayments, the Ministry of Community and Social Services should:

- ensure that Consolidated Municipal Service Managers assess the collectibility of all outstanding overpayments—particularly those designated as temporarily uncollectible—and, where warranted, recommend that the overpayments be written off so that more focus can be placed on those accounts where collection efforts are more apt to yield results; and
- evaluate the merits of the 2006 pilot project that transferred some overpayments to the Ministry's Overpayment Recovery Unit and, if necessary, consider implementing other alternatives for bringing a more intensive and focused collection effort to bear on those inactive accounts that have a greater likelihood of collection.

MINISTRY RESPONSE

The Ministry agrees that overpayment recovery must be maximized and has implemented business and technology changes to facilitate the recovery of overpayments.

The Ministry is looking at the results of its 2006 pilot project on overpayment recovery, and will continue with its efforts on mitigating overpayments, including the implementation of a risk-based approach to Ontario Works financial eligibility reassessments. This risk model will help to ensure that only eligible recipients remain on the program, and that the payments they receive are in the correct amount.

Finally, the Ministry is assessing the feasibility of accelerating the write-off of aged overpayments and prioritizing overpayment collection on the basis of past and present recipients' ability to repay.

Potentially Fraudulent Claims

Since the time our last audit, the Ministry revoked the lifetime ban for receiving Ontario Works benefits on applicants found to have made previous fraudulent claims. The Ministry continues to operate a Welfare Fraud Hotline where people can report cases of suspected fraud.

Currently, all fraud tips are to be assessed by service managers and, where appropriate, referred to a service manager's eligibility review officer. If an investigation confirms that a recipient has received funds that the individual was not entitled to, income assistance is reduced or terminated, as appropriate. Where sufficient evidence exists to suspect intent to commit fraud, the case is to be referred to the police for investigation and possible criminal prosecution.

We reviewed a number of tips received from the Welfare Fraud Hotline and had the following concerns:

- Two of the service managers we visited had no policies in place regarding timelines for investigations. As a result, many investigations into fraud tips were not considered in a timely manner. In fact, numerous tips had not been acted upon for up to three years.
- In many cases, action taken was weak and inadequate. For example, at two service managers, many recipients named in hotline tips were merely asked to sign a statement denying the fraud allegation.
- The number of cases that go forward to the police for fraud investigation is extremely low—approximately 1% of all tips at the service managers we visited. The service managers we visited indicated reluctance on their part, as well as on the police's, to proceed with criminal action in most cases.

RECOMMENDATION 6

To ensure that only eligible individuals receive financial assistance and that adequate action is taken when suspected fraud is reported, the Ministry of Community and Social Services should ensure that Consolidated Municipal Service Managers:

- in a timely manner, follow up on all fraud tips and investigate those that appear to be legitimate; and
- where the investigation indicates that a potential fraud has occurred, provide sufficient evidence to justice authorities to enable them to pursue prosecution of the perpetrators.

MINISTRY RESPONSE

The Ministry recognizes the need to ensure that only those who are eligible for social assistance receive it. Where sufficient evidence exists, social assistance staff are directed to refer all cases of suspected welfare fraud to the police. The Ministry will improve fraud investigation practices through the development of additional tools that support effective program management and oversight.

Participation Agreements

All Ontario Works assistance recipients must sign a participation agreement. The agreements oblige these individuals to take part in at least one of a number of activities designed to help transition them to paid employment and help them become self-reliant. Typical examples of employment activities include:

- basic education, literacy, and job-specific skill training;
- independent or assisted job-search activities, such as attendance at Employment Resource Centres; and
- volunteer or paid job placements designed to provide job experience and to help the recipient find and maintain meaningful employment.

A service manager caseworker is to assess the individual's skills and experience and determine with the recipient the most appropriate employment activities. Every three months, participation agreements are to be reviewed, updated, and signed again by the participant.

However, we found little evidence in recipient files to indicate that caseworkers were actually assessing what training or other employment-directed activities would be most beneficial and there is no standard requirement to document this process. In fact, our understanding was that these activities were usually selected by the applicant. Our province-wide analysis indicated that two-thirds of all recipients had designated independent job-search activities as the most beneficial employment assistance activity to help them become gainfully employed.

The requirement for an individual to enter into a participation agreement can be temporarily deferred in specific circumstances, such as a sole-support parent caring for one or more preschool children, provided the reasons for doing so are documented on file.

Our review of a sample of files found that:

- In some cases there were no participation agreements on file for extended periods of time. In many cases where participation agreements were on file, they were not updated every three months as required, and in some cases had not been updated for extended periods of time—up to five years.
- Where an individual's obligation to enter into a participation agreement was temporarily deferred, the reasons for doing so were often not documented in the file.
- Every three months, caseworkers are required to monitor progress of the activities agreed to in the participation agreement with the recipient. However, evidence was not required, nor was it provided, to demonstrate that the activity to which the recipient had committed had ever been done.

As well, we noted instances where individuals were in activities that seemed inappropriate. For example, individuals were in independent job search activities for several years, only to be sent later to English-as-a-second-language classes,

which in our view appears to be an ineffective sequence of activities.

We also found many instances where it did not appear that recipients were getting an adequate assessment of what skills and experience they would need to secure employment. In one such case, the only training or assistance a recipient received was two short-term courses during a seven-year period. For the rest of the time, this individual was in an independent job search without any success. In addition, there was no evidence that this recipient had ever received a skills assessment. In another case, a 10-year recipient spent seven-and-a-half years without a participation agreement in place or any evidence that employment activities had taken place. For the rest of the time, the individual was in an independent job search or basic education program.

In addition, although the Ministry does not define "temporary financial assistance," which is the goal of the Ontario Works program, many individuals were in the program for long periods of time without progressing to financial independence. In this regard, we noted that approximately 10% of all active recipients at the three service managers we visited had been on continuous assistance for between five and 10 years, and an additional 3% had been on for more than 10 years, with the oldest cases having received financial assistance since 1984, or for 25 years.

RECOMMENDATION 7

To ensure that the Ontario Works program is effective in transitioning recipients to paid employment and self-reliance, the Ministry of Community and Social Services should monitor Consolidated Municipal Service Managers to make certain:

- that participation agreements are on file for all Ontario Works recipients and that each agreement is reviewed and updated every three months as required;

- that the reasons for deferring participation agreement requirements are adequately supported and documented on file;
- that caseworkers assess recipients' skills and experience, and document caseworker input in determining the most appropriate activities to help recipients transition to financial independence; and
- that the Ministry review the reasonableness of service managers' allowing—often for prolonged periods of time—independent job-search activities as the primary employment assistance activity to nearly two-thirds of all recipients.

MINISTRY RESPONSE

The Ministry agrees that all Ontario Works recipients should have a participation agreement on file, which will be reviewed and updated at least every three months, and that any deferrals of participation agreements are supported and documented on file.

Recognizing the diverse challenges that many Ontario Works recipients face, the Ministry is committed to providing tools and training support to help front-line staff work collaboratively with clients to address their employment-related needs and barriers. The Ministry will review the policy guidelines related to the job-search requirement to ensure that participation agreements are developed or updated appropriately.

Tasks

The Ministry's SDMT system is able to assign tasks and corresponding due dates to individual case files as well as track outstanding tasks. Tasks are system-generated for such things as notification that a recipient's supplemental assistance or benefit is about to expire, or the need to review and update participation agreements. Many of the remaining

tasks are entered manually and are triggered by, for example, a complaint about a person's eligibility or information obtained from third parties through information-sharing agreements.

It is essential that caseworkers be aware of all tasks as they become due so that any necessary changes can be made promptly and overpayments or underpayments can be avoided. However, at the time of our audit, there were 195,000 overdue Ontario Works tasks in the SDMT system. Many of these tasks had been overdue for a long time, some for more than 10 years.

We understand that the high number of overdue tasks is due largely to service manager staff not using the system as intended to identify information needs, by staff not obtaining the required information on a timely basis, or by failing to delete tasks when they are completed. This large number of overdue tasks is of particular concern because they are the key means of consistently tracking outstanding information needed to establish the continuing eligibility of recipients and determining the correct amount of assistance to be paid.

RECOMMENDATION 8

To ensure that Ontario Works benefits continue to be paid only to eligible individuals and in the correct amount, the Ministry of Community and Social Services should monitor whether Consolidated Municipal Service Managers are making reasonable efforts to address all system-identified tasks that require action or follow up.

MINISTRY RESPONSE

The Ministry recognizes the need to ensure that only eligible individuals receive assistance through Ontario Works and that the assistance provided is in the correct amount. To this end, the Ministry has simplified the technology related to system-generated tasks.

The Ministry is also reviewing its current business processes for potential refinements and opportunities for improvement from the perspective of technology modernization.

Ministry Monitoring of Consolidated Municipal Service Managers

The Ministry's nine regional offices are to regularly conduct two types of reviews—compliance reviews and subsidy claims examinations—of the service managers within their jurisdiction. Compliance reviews consist primarily of examining a sample of case files to assess whether they adhere to selected program requirements. These reviews are currently to be conducted on a three-year cycle.

Subsidy claims examinations inspect a single month's reimbursement claim by the service manager for the Ministry's 80% share of financial assistance provided to recipients. These examinations, to be conducted annually, are to ensure that the amounts reimbursed to service managers accurately reflect payments to recipients.

When it came to compliance reviews, we found that they were being conducted at the required frequency. That is, annually in 2003, once every two years between 2004 and 2006, and once every three years starting in 2007. Our review of a sample of compliance reviews since our last audit found that the work undertaken was generally of a good quality and identified many of the same issues and concerns we have drawn attention to earlier in this report. However, there was little evidence that corrective action to address the deficiencies identified in the compliance reviews was undertaken, as similar issues kept recurring from year to year.

In response, the Ministry implemented a new, three-year cycle for compliance reviews starting in 2007. The second year is to allow the service manager time to take the necessary corrective actions identified during the year-one review. In the third year, the Ministry is to re-examine a sample of case files and assess whether or not corrective actions have been taken. Financial adjustments may be levied for issues of non-compliance.

With respect to subsidy claims examinations, we noted the following:

- The Ministry's regional offices were not completing subsidy claims examinations annually or on a timely basis as required. In one of the three visited regions, for example, reviews for 2003 were conducted in 2006 and reviews for 2004 and 2005 were conducted in 2008. In the other two regions, reviews for 2003, 2004, and 2005 were not completed at all. No reviews had been done at any of the regions for 2007 and 2008. On a province-wide basis, as of December 2008, the 2007 subsidy claims examinations had been completed for only four of the 47 service managers.

- Our review also found that, generally, the reviews were inadequately conducted. Files were disorganized, difficult to follow and incomplete. In addition, it is our view that many of the individuals conducting the subsidy claims examinations did not have adequate training and experience to do so effectively. As a result, we felt that the subsidy claims reviews did not adequately determine whether the claims submitted to, and paid by, the Ministry were complete, accurate, and based on actual benefits provided to recipients.

These reviews are critical given the fact that the Ministry's subsidies totalled $1.5 billion in the 2008/09 fiscal year. Yet none of the required supporting documentation that is required to accompany the monthly claims was being submitted to the Ministry. As well, the Ministry did not verify any of the information on the claims prior to making payment. The risk is that if a service manager inadvertently overstated a claim, the error likely would not be detected.

RECOMMENDATION 9

To ensure that subsidy claims are reimbursed in the correct amount based on reliable information provided by the Consolidated Municipal

Service Managers, the Ministry of Community and Social Services should:

- conduct at least one subsidy claims examination per service manager annually as required and do so on a timely basis;
- make certain that work conducted during subsidy claims examinations is adequately completed and demonstrates whether the claim is based on complete and accurate information about payments to assistance recipients; and
- make certain that adequate supporting documentation is submitted by the service managers and reviewed by the Ministry prior to payment.

MINISTRY RESPONSE

The Ministry recognizes the importance of exercising appropriate program management oversight, and has reinforced the requirement to complete annual subsidy claims examinations. In addition, the Ministry will develop additional tools and provide training to support ministry staff in completing accurate examinations based on appropriate documentation.

Program Administration Costs

At the time of our last audit in 2002, we found that the Ministry reimbursed the 47 service managers for their 50% share of administrative costs based on a historical pattern that ignores, among other things, caseload volumes. We determined that the Ministry's administration cost reimbursement on a per-case basis in the 2001/02 fiscal year varied significantly, ranging from $273 to $1,596. We therefore recommended in our *2002 Annual Report* that the Ministry consider caseload information in its annual funding decisions to ensure that administration costs are allocated equitably across the province. The Ministry agreed and indicated at the

time that future funding for its share of administration costs would be linked to caseloads.

Notwithstanding that commitment, we found that the Ministry continues to reimburse service managers on the same historical basis established prior to our last audit in 2002. The Ministry's funding of service manager administration costs on a per-case basis continued to vary significantly between $718 and $1,250 in the 2008/09 fiscal year.

We also noted the following:

- The Ministry does not receive sufficiently detailed information about the administration costs incurred by individual service managers and therefore cannot assess their reasonableness. In addition, due to the absence of a provincial requirement of caseloads per caseworker, it is impossible to assess the appropriateness of caseworker staffing levels. This is particularly important since staffing accounts for approximately 80% of all administration costs.

- Some service managers are absorbing all the incremental costs, such as salary increases, for administration of the program, which results in cost sharing that differs from the intended 50/50 basis. For example, one of the service managers that we visited estimated that it currently pays 70% of the total administration costs. As a result, service managers unable to absorb the incremental costs of program administration could, for example, decrease caseworker staffing levels, which would adversely affect program delivery.

RECOMMENDATION 10

To ensure that Ontario Works administration is funded equitably across the province, the Ministry of Community and Social Services should:

- establish more needs-based funding of administrative costs that reflects variations in caseloads; and
- obtain better information about actual administrative costs being incurred.

MINISTRY RESPONSE

The Ministry recognizes the concerns with program administration funding and is currently undertaking a review to develop principles for revising the funding model.

Employment Assistance Costs

As noted previously, the Ministry's 80% share of employment assistance costs totalled $171 million in the 2008/09 fiscal year. Much of this assistance is provided directly by service manager staff, although some services are obtained through contractual arrangements with third parties such as providers of training programs and employment placement services. Employment assistance funding provided to individual service managers is still generally based on historically funded amounts rather than an assessment of recipient caseloads and the need for the different types of employment assistance services. However, the Ministry advised us that it started to implement an outcome-based funding model in January 2008 that will begin to affect funding allocations in 2010.

Our comments and concerns with respect to employment assistance funding provided to individual service managers over the past few years include the following:

- There is no evidence that the Ministry assessed the type and mix of employment activities provided by a service manager to ensure that they are effective in helping transition assistance recipients from Ontario Works to paid employment and ultimately represent value for money spent. In that regard, we note that two-thirds of all assistance recipients are receiving no specific employment assistance and are assigned to independent job search activities, often for many years.
- The Ministry did not receive sufficiently detailed information on how the employment

assistance funds were to be spent and were actually spent. In fact, we found that in some cases service managers used employment assistance funds for other Ontario Works purposes or for unrelated municipal programs.

- There was often no evidence that municipal service managers acquired employment assistance services from third-party providers competitively.

RECOMMENDATION 11

To ensure that employment services are effective in helping recipients find employment and represent value for money spent, the Ministry of Community and Social Services should:

- assess the effectiveness of the various types of employment assistance being offered by each Consolidated Municipal Service Manager, particularly the independent job search when recipients are assigned to it for long periods of time; and
- make certain that all employment assistance funding is spent prudently and for the intended purpose.

MINISTRY RESPONSE

The Ministry introduced an outcomes-based funding model for Ontario Works employment assistance that requires service managers to establish performance targets and measure client outcomes.

The Ministry recognizes the importance of exercising appropriate program management oversight and will ensure that ministry staff receive training to support effective oversight of employment assistance funding. In addition, the Ministry is currently looking at the employment assistance funding model as part of its review of administration funding.

Measuring the Performance of the Ontario Works Program and Consolidated Municipal Service Managers

Historically, the Ministry has lacked any measures to monitor and evaluate the efficiency and effectiveness of the administration of income assistance under Ontario Works. For example, targets have not been established with respect to the reduction and/or elimination of income assistance overpayments to recipients, even though income assistance is by far the largest (81%) cost component of the $1.9-billion program.

In addition, there is no question that it is challenging to evaluate effectiveness in achieving the primary objective of the program—to move Ontario Works recipients to paid employment and self-reliance—because many factors not related to the program can influence the number of people leaving it. These include, but are not limited to:

- conditions in the general economy that greatly influence the creation or loss of the types of jobs Ontario Works recipients are most likely to qualify for;
- local conditions and seasonal factors that influence the availability of jobs in a given area; and
- the commitment and personal initiative of Ontario Works recipients to find paid employment.

With respect to the employment assistance component of Ontario Works, the Ministry in 2008 started to implement a new outcomes-based model that will measure performance over a two-year period. This model includes seven outcome measures in two categories: earnings outcome and employment outcome. Under earnings outcome, there are two measures: average employment earnings for Ontario Works recipients and average employment earnings at exit from the program.

Under employment outcome, there are five measures:

- average length of time in the program until exit to employment;

- percentage of caseload terminations as a result of exiting to employment;
- percentage of caseloads with some employment income;
- job retention rate—average length of time those people who had been in Ontario Works held a job before returning to the program; and
- re-entry rate—percentage of people returning to Ontario Works who had left the program for employment within the past 24 months.

Each year, the Ministry negotiates improvement targets with each municipal service manager for the above outcome measures based on historical patterns and local economic conditions. Evaluation is to take place over a two-year period. Over-achievement in year one of the two-year evaluation cycle (that is, initially, 2008) can be used to offset underachievement in the second year or vice versa. Underachievement over the initial two-year evaluation period, which ends in December 2009, may result in the Ministry clawing back up to 20% of a service manager's employment assistance funding that it received during that two-year period.

This is a promising initiative if the Ministry can obtain complete and accurate information regarding the seven outcome measures.

RECOMMENDATION 12

The Ministry of Community and Social Services should build on its planned results-assessment for employment assistance funding by developing performance measures that will enable it to evaluate the effectiveness of the administration of the much larger income assistance aspect of Ontario Works over time.

MINISTRY RESPONSE

The Ministry recognizes the importance of exercising appropriate program management oversight with respect to income assistance.

The Ministry will continue with its efforts to maximize overpayment recovery and mitigate overpayments, including the implementation of a risk-based approach to Ontario Works financial eligibility reassessments. This risk model will help to ensure that only eligible recipients remain on the program and that they receive the correct payments.

The Ministry will also implement a series of changes to reinforce its monitoring and controllership framework for social assistance. This framework will include performance-monitoring and risk-management strategies that will strengthen program oversight and support the improvements being made to service delivery.

SERVICE DELIVERY MODEL TECHNOLOGY SYSTEM

The Ministry's Service Delivery Model Technology (SDMT) information system is the IT network that supports social assistance delivery for both Ontario Works and the Ontario Disability Support Program. Implemented province-wide in 2002, the SDMT system was developed to provide a common database with real-time access to case information and to reduce administrative costs while freeing up caseworker time to allow for better customer service to social assistance applicants and recipients.

The SDMT system was developed at an initial cost of approximately $246 million, which far exceeded the original cost estimate of $180 million. The Ministry now estimates the total cost to date for system development and maintenance paid to outside contractors at approximately $377 million. The Ministry took control of this system in January 2002. Since then, the SDMT system has been maintained by in-house ministry staff, supported by outside consultants. The cost for these outside consultants was approximately $5.5 million between the 2005/06 and 2008/09 fiscal years.

Our review of the SDMT system included a survey of users and administrators to determine satisfaction and areas of concern. We also engaged an IT security specialist to conduct a security review.

Although the Ministry has made many changes to the SDMT system over the years to improve the consistency and accuracy of the system's operations, much remains to be done. We understand that the government has designated the SDMT system as a priority as part of its project to remediate high-risk applications. The Ministry is reviewing its current business processes for potential refinements or opportunities to improve the system's technology. It is to prepare a business case for autumn 2009.

Our specific comments and observations about the SDMT system are detailed in the following section.

Unexplained System Errors and Omissions

We again found—as we did in our 2002, 2004, and 2006 annual reports—that unexplained errors and omissions continue to occur, even after many system enhancements. For instance:

- Some changes made to a recipient's information in the SDMT system were not immediately processed and were dormant for months and even years. Then, at a much later date, they were triggered for unexplained reasons. Such a situation may result in significant arrears or overpayments. For example, in one case a recipient incurred decreased shelter costs in 2002 that were entered into the SDMT system, but not used in determining the correct amount of financial assistance. The recipient continued to receive the previous, larger shelter allowance for seven years until the system detected the overpayment. The service manager could not explain why this error occurred.
- Information regarding the same payments made to recipients during a particular month showed different amounts that were contained in two monthly SDMT system reports—the expenditure report and the cheque register, which is a list of cheques generated by the system during that month. Neither the

service managers nor the Ministry were able to explain the discrepancies.

- The SDMT system lacks controls to detect input errors and omissions. For example, the system does not have the capacity to block payments to recipients in cases where a unique personal identifier—social insurance or health card number—has not been inputted. We found many cases where these unique identifiers were missing, sometimes for more than a year, while recipients continued to receive assistance. This system failure increases the risk of fraud through multiple payments to the same recipient or payments to false recipients.

Access and Security Controls

We are pleased to report that attempts to gain unauthorized access to the SDMT system met with failure during a security test, which suggests that there is a reasonable level of security control to protect the system from possible outside attacks. However, we are concerned about internal access and overall system controls to prevent the SDMT system from being compromised. In this regard, we found the following:

- According to our security specialist, the possibility exists for an internal user with IT knowledge to escalate their read-only access to full access to SDMT data without proper authorization. This would allow an individual to create a bogus recipient and issue fraudulent payments. The Ministry had been aware of these issues and thought that it had corrected them, but our specialist was able to circumvent the new controls.
- With regard to access rights, we found that although only two staff members per service manager office were supposed to be provided administration rights, which includes the ability to make changes and generate new users, some offices had up to 17 individuals, or one-third of their total staff, assigned these rights.

Administrators were also provided access to live data that should be the purview only of caseworkers. As a result, administrators potentially can establish false accounts and new users, generating unauthorized payments.

- Although the SDMT system has the capacity to assign limited access levels, we found that most caseworkers, as we noted in our 2002 audit, received full access to the system, allowing them also to set up new recipients, make changes to information, and potentially authorize fraudulent payments, all without supervisory review. Such broad access runs counter to the desired segregation of duties and supervisory oversight that is a critical component of a formal payment system designed to prevent fraudulent payments.

- Although the Ministry had a process in place to verify active users by sending a SDMT system report containing all active users to service managers for their review and reconciliation, this feature had not been used since 2005. In fact, our review found that some former Ontario Works staff still had active SDMT system accounts.

- Passwords are not required to be changed on a regular basis and multiple concurrent log-ins are permitted.

User Satisfaction

During our previous audits, service manager staff expressed considerable dissatisfaction with the SDMT system and told us that instead of it freeing up time to spend with clients as intended, it had the opposite effect. Other concerns noted were that training was insufficient, and that system limitations required many workaround systems to be developed or purchased in order to get the job done.

As mentioned above, despite some SDMT system improvements since our last audit, service manager staff still generally express dissatisfaction with the system. They had the following specific concerns:

- Workaround systems are still required. Results from the survey of system administrators indicated that approximately 150 workaround systems had been developed at a cost of more than $5 million, with future system development costs estimated at $7 million. Many of these workarounds were similar systems developed by different service managers, resulting in a duplication of efforts.

- The SDMT system lacks a report-writing function that would allow service managers to extract customized information required to assist with program delivery and/or management. Instead, the Ministry provides daily and monthly information for use in local report systems as well as producing standard reports that are available to the service managers. However, these reports do not address many of their information needs. Although special reports can be requested from the Ministry, service manager staff told us that it sometimes takes several months to receive these reports. In addition, service manager staff were reluctant to rely on the reports because of concerns over reliability, completeness, and accuracy.

- Although a process had been set up to flag system problems by filing a system investigation report, most service manager staff felt that this process was ineffective and did not result in improvements. The Ministry has since eliminated this process and no longer tracks SDMT system user complaints.

- The Ministry now uses the government-wide IT service desk to deal with SDMT system problems. Staff told us that they have concerns about the quality of assistance they receive from this help desk as those staffing it don't seem to have specific knowledge about the SDMT system and are not responsive in addressing problems.

- Although tools are provided to assist with reviewing overpayments, the system's users noted the system was unable to determine

why an overpayment was created, an issue previously noted in our 2002 audit. They indicated that it sometimes took a long time to try to resolve and reconcile overpayments. In addition, the SDMT system lacks the capability to manage overpayments and their collections.

- The system lacks the capacity to manage the employment assistance function, a key objective of Ontario Works. As a result, most service managers maintain standalone systems to support the management of employment assistance activities.

- Concerns were noted again, as at the time of our last audit, with regard to system-generated letters. Service manager staff said that these letters cannot be altered, that the information contained in them is difficult for the client to understand, and is sometimes inaccurate. As a result, many service managers have purchased or developed other software programs to create their own letters and do not use this aspect of the SDMT system.

Information to Support Reimbursement by the Ministry

In our previous report in 2002, we noted that the SDMT system did not provide municipal service managers with accurate and reliable expenditure information for billing the Ministry for its share of the financial assistance provided to Ontario Works recipients. We are pleased to note that now, in general, service managers are able to rely on the information from the SDMT system with regard to

the income assistance amounts provided to Ontario Works recipients.

However, benefits that are paid on behalf of the recipients to third parties are not included in the SDMT system and have to be manually added onto the monthly claim to the Ministry for reimbursement.

As previously noted, small variances still exist between the totals recorded by the monthly expenditure report and the cheque register, both produced by the SDMT system.

RECOMMENDATION 13

To ensure that Consolidated Municipal Service Managers can rely on systems and reports to produce proper payments, and accurately record and manage information regarding those payments, the Ministry of Community and Social Services should address the Service Delivery Model Technology system deficiencies noted in this report, including those that prevent service manager staff from having the information they need to effectively manage program expenditures.

MINISTRY RESPONSE

The Ministry recognizes the need to continually improve the technology that supports the delivery of the Ontario Works program within available resources. The Ministry is also reviewing its current business processes for potential refinements and opportunities for improvement from the perspective of technology modernization.