

Table of Contents

Contents

Chapter 1 - Introductory Comments

Crown lands management	3
We encourage the use of departmental annual reports.	4
Decision-making process	4
Failure to receive information	5
Protecting the safety of New Brunswickers	6
Provincial Archives	6
Purchases and expenditures	7
Our Office performance	7
Governance - Boards not properly constituted.	8
Acknowledgements	8

Chapter 2 - Indicators of the Province's Financial Condition

Background	11
Scope	11
Financial results used in analyses	11
Results in brief	12
Sustainability	12
Flexibility	14
Vulnerability	16
Summary	18

Chapter 3 -Department of Education - Pupil Transportation

Background	21
Scope	22
Results in brief	23
Route planning	24
Driver employment standards	30
Driver training	37
Driver responsibilities	44
Departmental staff responsibilities	49
Ensuring safe condition of vehicles	55
Safety training for students	60
Alternate forms of transportation	62

Contents

Chapter 4 - Department of Finance - Early Retirement Program

Background	71
Scope	72
Results in brief	73
Characteristics of a good decision-making process	73
Problem identification	75
Assignment of responsibility	77
Search for alternatives	78
Analyzing and evaluating alternatives	78
Authorization	82
Establishing deadlines	84

Chapter 5 - Departments of Health and Wellness and Family and Community Services Prescription Drug Program

Background	89
Scope	90
Results in brief	90
The registration process for Plan F	91
Eligibility requirements	92
Compliance with eligibility requirements	96
Prompt registration and removal	100
Establishing policies and procedures	103
Monitoring compliance with policies and procedures	106
Public awareness and serving the target group	108

Chapter 6 - Department of Natural Resources and Energy - Crown Lands Management

Background	115
Scope	117
Results in brief	117
Identifying the responsibilities	118
Measurable goals/objectives	120
Performance reporting	129

Contents

Chapter 7 - Department of Public Safety - High Risk Drivers

Background	145
Scope	146
Results in brief	147
Identifying and responding to high-risk drivers	148
Student drivers	161
Other observations	167

Chapter 8 - Department of Supply and Services - Provincial Archives of New Brunswick

Background	173
Scope	174
Results in brief	174
Mandate and mission	176
Scope of PANB operations	177
Resources provided to PANB	178
Policies and procedures	180
Records management policy	181
Assessment, arrangement and description of records	183
Storage conditions	185
Planned new repository	188
Conservation	189
Audio-visual storage media	190
Physical threats and security of facilities	192
Performance reporting by PANB	194

Chapter 9 - Department of Supply and Services - Purchasing

Background	201
Scope	202
Results in brief	203
Tendering and soliciting bids for purchases	204
Granting exemptions and preferences	207
Ensuring compliance with legislation	213
Fairness in the purchasing process	219

Chapter 10 - Department of Supply and Services - Contracts for IT Professionals

Background	223
Scope	223
Results in brief	224
Results from examining the forty departmental contracts	224
Matters reported to individual departments	229

Contents

Chapter 11 - Follow-up on Prior Years' Audit Work

Background	233
Scope	233
1997 recommendations	234
1998 recommendations	236
1999 recommendations	238

Chapter 12 - Financial Audits in Departments and Crown Agencies

Background	253
Scope	254
Former Department of Agriculture and Rural Development	255
Department of the Environment and Local Government	261
Department of Finance	262
New Brunswick Distance Education Network Inc	266
Losses through fraud, default or mistake	270

Chapter 13 - Crown Agencies Audited by Others

Background	275
Scope	275
New Brunswick Power Corporation	275
Workplace Health, Safety and Compensation Commission of New Brunswick	277
Regional hospital corporations	277

Chapter 14 - Office of the Auditor General

Background	281
Office role and relevance	281
Performance indicators	282
Financial information	285
Staff resources	286

Exhibit

Sections of the Auditor General Act relevant to the responsibilities of the Auditor General	289
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Chapter 1

Introductory Comments

Contents

Crown lands management	3
We encourage the use of departmental annual reports	4
Decision-making process	4
Failure to receive information	5
Protecting the safety of New Brunswickers	6
Provincial Archives	6
Purchases and expenditures	7
Our Office performance	7
Governance - Boards not properly constituted	8
Acknowledgements	8

Introductory Comments

Crown lands management

1.1 As I write this chapter, I have just passed the mid-point of my eight-year term as Auditor General for the Province of New Brunswick. This is my fifth annual report.

1.2 A lot of the work we have done over the past four years has centred on certain themes. For instance we have commented on the decision-making process in government, we have examined various governance issues, we have encouraged the use of performance measures and we have emphasized the importance of using departmental annual reports in holding departments accountable. We have also done a number of projects related to the environment and public safety.

1.3 In our work this year we have continued to emphasize some of these themes, simply because they are so important. For instance you will find another decision-making project, two more safety audits, an environmental project and more encouragement for the use of performance measures and departmental annual reports.

1.4 This year we completed phase II of our work under the *Crown Lands and Forests Act*. Our objective was to determine if the Department was carrying out its responsibilities with respect to Crown lands. Last year our work concentrated on private forest lands and received a lot of attention by the media and from representatives of the various groups concerned. We were pleased with this response.

1.5 I believe the work we did this year is significant in two respects. In the first instance it brings attention to our forests, a resource that is important to our economy, the habitat for our fish and wildlife, the recreation of our citizens and even the quality of the air we breathe. In order for this resource to be sustainable and to meet the sometimes conflicting objectives of its many users there is a need for measurable goals and objectives. And these must be set in a manner that clearly and adequately addresses the responsibilities of government set out in legislation. Consequently we recommended that the Department establish measurable objectives for the Minister's four major responsibilities for Crown land. Further we recommended that the Department examine the costs and benefits of undertaking a certification process for Crown lands. Public input would be encouraged for both these initiatives.

1.6 The second reason why this work was significant is because it enabled us to examine the quality of information which the MLAs and the

general public are receiving on this valuable resource. Legislators need to be able to determine if our forests are being managed in a sustainable manner. We have always believed that the government's annual report policy is an excellent policy and, if followed, would provide the key information that legislators and the general public need. In the case of Crown lands we found that the departmental annual report lacked sufficient information to show how the Minister performed in fulfilling his four responsibilities under legislation, to develop, utilize, protect and provide integrated management of the Crown lands of New Brunswick. Our findings and recommendations on Crown Lands can be found in Chapter 6.

We encourage the use of departmental annual reports

1.7 The annual report policy of government states that the annual report is "the major accountability document by departments and agencies for the Legislative Assembly and the general public." That is one reason why we placed a lot of emphasis on the annual report in our work on Crown lands. It is also why I have introduced an initiative this year to review all departmental annual reports and to formally recognize the one that best meets the requirements of the policy and that demonstrates a high level of fair and balanced reporting. I have undertaken this project in an attempt to increase the profile of these reports and encourage their use, both by the departments who have a reporting responsibility, and by the legislators who are holding them to account. I have made a personal commitment to undertake this project for a three-year period, and we will be starting with the annual reports for the fiscal year ended 31 March 2001. I hope to recognize the best annual report in early 2002 and I will be using a panel of New Brunswickers to assist my staff in the final stages of the judging process.

Decision-making process

1.8 A lot of what government does must be done simply because of the services that the public demands and legislation dictates. There is little or no discretion. Schools must exist and teachers must be paid. Hospital beds are required and funding must be provided. Roads must be paved and plowed. So it is always interesting to review the process government follows when a decision is made that is discretionary. In other words, when a decision is made to alter a service or incur an expenditure simply because it is the right thing to do, not because it must be done.

1.9 My Office has looked at decisions like this in the past, not from the standpoint of questioning the decision, but by reviewing the process that led up to the decision being made. We fully support a process that results in a search for alternatives to the problem being solved, and then a careful analysis and evaluation of each alternative before one is chosen as the preferred course of action. Professional staff and appropriate specialists should be involved to ensure that the decision-makers receive the best advice possible.

1.10 This year we examined the decision-making process that led to the Voluntary Early Retirement Window (VERW) that was announced on 25 January 2000. An actuary engaged by the government estimated that the

cost of the VERW was between \$64.6 million and \$69.9 million. The results of our work are found in Chapter 4. In summary, we were not able to conclude on whether all the proper steps were taken in the decision-making process. There were two reasons for this. First, most of the identification and analysis of alternatives was undertaken in meetings and there was limited documentation for our review. Second, a key document that went to the Board of Management in support of the decision was not made available to us. While we have made a number of recommendations in Chapter 4, they could be applied by government in any situation where a discretionary decision is being made. And I would certainly encourage this.

Failure to receive information

1.11 Under section 13(1) of the *Auditor General Act*, “the Auditor General shall report annually to the Legislative Assembly...on whether, in carrying on the work of his office, he received all the information and explanations he required.” In two instances this year I did not receive all the information I required.

1.12 The first instance was referred to above and was our inability to see the document that went to the Board of Management in support of the decision to have an early retirement program. The Deputy Minister of Finance informed us that the document would not be provided to us. I did not pursue the issue even though in other audits we have been given such documents and section 12(1) of the *Auditor General Act* gives the Auditor General access to “information, including files, documents and records, that relates to the fulfillment of his responsibilities and such information, reports and explanations as he considers necessary for that purpose.” There were two reasons why I did not pursue this matter. In the first instance, I am aware that the confidentiality of Cabinet documents is a sensitive issue not just in New Brunswick but across Canada. The second reason is that I did not want to devote time and perhaps financial resources to argue a point which perhaps should first be discussed and reviewed by the MLAs, to whom I am accountable.

1.13 The second instance of not being able to obtain required information was due to the Board of Directors of the New Brunswick Liquor Corporation refusing us access to Board Minutes in our attempt to follow up on recommendations made in our 1999 review of governance and accountability structures at the Corporation. This position was made known to me just as we were finalizing our Report (see Chapter 11).

1.14 Now in both situations I believe there are very strong and convincing arguments to be made in support of my right to receive the information and explanations required to fulfill my responsibilities. However, I do not feel that an adversarial position is the best one to take at this time, and the fact that I am to report such instances to the Legislative Assembly suggests that I should hear the views of the legislators before I do anything further. This leads directly to an issue that has been a concern of mine for some time, and that is who do I discuss issues such as this

with? I am an Officer of the Legislative Assembly, but I have no legislative committee to approach on such matters, or on any matter of an administrative nature. I will await direction on how the Legislative Assembly wishes to pursue the two issues I have raised, one being the failure to obtain required information and the other related to identifying a vehicle that would be available to the Office of the Auditor General to address administrative and jurisdictional matters with Legislators.

Protecting the safety of New Brunswickers

1.15 For the past number of years my Office has shown a keen interest in programs which government provides that have a bearing on the safety of our citizens. In 1998 we examined the safety of our ambulances, in 1999 the inspection of food service establishments and last year the quality of our domestic well water. And now this year we are reporting on two audit projects, pupil transportation and high-risk drivers.

1.16 Our objective in reviewing pupil transportation was to determine if the Department of Education has adequate systems and practices in place for the safe transportation of pupils. We found that there are approximately 89,000 children who get on a yellow school bus every school day and another 6,000 who are transported by contracted van, vehicle or city transit bus. The Province has 1,650 owned or contracted buses and employs 1,500 bus drivers. Our findings in pupil transportation (Chapter 3) were similar to those in previous years, in that whether by legislation, regulation or policy the government has put in place an acceptable if not excellent framework to ensure the safety of our citizens, but implementation and monitoring is weak. As a result, the risk of negative consequences increases.

1.17 Our work on high-risk drivers took us into the Department of Public Safety. In doing this work we had two objectives, one to determine if the department has a system in place to identify and respond appropriately to high-risk drivers and the other to determine if training and testing processes for student drivers maximizes the potential contribution to road safety. Our findings on this work are found in Chapter 7.

Provincial Archives

1.18 We decided to undertake an audit of the Provincial Archives of New Brunswick (PANB), not because of the amount of taxpayers' money involved but because of the valuable service they provide. Their annual budget is only \$1.475 million, but the information contained in their records is in effect priceless. Among the findings we report in Chapter 8 is that PANB is currently not receiving sufficient resources to allow them to fully meet their mandate as described in the *Archives Act*. Furthermore they will be losing six of their thirty-two employees under the VERW program including their only Conservator and two archivists. On a positive note, the funding announced by the government for the design and construction of a new repository should meet the archival storage needs of PANB for the next fifteen years, and address a number of deficiencies in the three existing storage facilities.

Purchases and expenditures

1.19 MLAs and the general public are always interested in knowing if there are appropriate checks and balances in place to ensure that goods and services are competitively acquired and expenditures are appropriately supported. This year we did work in three different areas around this theme. First, and as reported in Chapter 9, we wanted to determine if the Minister of Supply and Services was fulfilling his responsibilities under the *Public Purchasing Act* with respect to tendering and soliciting bids, and the granting of exemptions and preferences. We also examined whether government funded bodies and departments were complying with their responsibilities under legislation.

1.20 The second area we examined was contracts with Information Technology professionals. The purpose of our review was to determine if departments were complying with the terms and conditions established by the Department of Supply and Services for such contracts. Our findings and recommendations are found in Chapter 10.

1.21 The third area was an examination of expenditures under the Prescription Drug Program, in particular Plan F. This is the plan that provides drug benefits to people who receive income assistance and to those who have drug expenses for which they do not have the resources to pay. We had two objectives for this work. One was to ensure that each person who is eligible for benefits is offered the program and the other was to ensure that benefits were only provided to those people who qualify. Chapter 5 reports on the work which we did in this area, our findings and recommendations.

Our Office performance

1.22 In most of our work we examine the extent to which a department or Crown agency has commented on its performance, either in delivering a service or in meeting annual objectives or performance indicators. We will make recommendations when we believe they are warranted.

1.23 We are constantly reminded of our own responsibility in this area, because we too must be efficient and accountable. Chapter 14 represents our annual accountability report, which we believe is in compliance with the government's annual report policy. There we report on our goals, performance indicators and results.

1.24 A key measure of performance for our Office is the feedback we receive from a survey sent to all Members of the Public Accounts and Crown Corporations Committees. From the responses received we were told that our Report is easy to read and understand and it helped the MLAs do their job better. Another measure of performance is that we will perform all our audits within the time allotted. Once again we are having trouble completing our value-for-money audits within budget. This year all eight audits that led to chapters in this Report took more time than we had budgeted. We continue to examine our experiences in order to establish more realistic budgets and to become more efficient in carrying out our work. I should mention, however, that as much as we want to do

our work within budget we will not compromise on quality. The quality of our work and the information we are able to bring to the attention of the Legislative Assembly and the general public is much more important than completing a job within budget.

Governance - Boards not properly constituted

1.25 We did not undertake any specific work this year on governance issues, but we did note during the course of our financial audits that there were four government agencies that did not have a properly constituted Board of Directors. We found that the terms for the Directors of the New Brunswick Crop Insurance Commission and Kings Landing Corporation had expired. The Kings Landing Corporation Board however continued to operate. And the Boards of the Youth Council of New Brunswick and the New Brunswick Public Libraries Foundation did not have sufficient members to constitute a quorum. It is extremely important that the Boards of Directors of all agencies be functional at all times to ensure the continuous and orderly conduct of business.

Acknowledgements

1.26 This year three of our major projects were in the Department of Supply and Services. These were the Provincial Archives, Public purchasing and the Contracts for IT professionals. It is not normal that we concentrate so much work in one department but, because we did, I want to recognize the departmental staff that worked with us during the audits and who took the time to respond to our findings and recommendations. We appreciate the co-operation we received.

1.27 I also recognize the efforts of my own staff and in particular the tremendous effort made in bringing projects to completion. While it is my honour once again to submit this Report, I am indebted to their professional advice and dedication.

Daryl C. Wilson, FCA
Auditor General

Chapter 2

Indicators of the Province's Financial Condition

Contents

Background	11
Scope	11
Financial results used in analyses	11
Results in brief	12
Sustainability	12
Flexibility	14
Vulnerability	16
Summary	18

Indicators of the Province's Financial Condition

Background

2.1 In 1997, a research report published by the Canadian Institute of Chartered Accountants (CICA) defined financial condition as a government's "financial health as measured by sustainability, vulnerability and flexibility, looked at in the context of the overall economic and financial environment."¹

Scope

2.2 The purpose of this chapter is to provide readers with useful information about the Province's financial condition using the CICA research report as a guideline.

2.3 Though many potential indicators of sustainability, vulnerability and flexibility were considered in preparing the research report, only ten indicators were found which were relevant, necessary, measurable and clear to users of government financial information. Of these, our Office has concluded that six can be considered meaningful in the context of the Province of New Brunswick. They are:

- Sustainability* · *Net debt as a percentage of gross domestic product (GDP)*
- *Change in net debt and GDP*
- Flexibility* · *Cost of servicing the public debt as a percentage of total revenue*
- *Own source revenue as a percentage of GDP*
- Vulnerability* · *Federal government transfers as a percentage of total revenue*
- *Foreign currency debt as a percentage of total debt for provincial purposes*

Financial results used in analyses

2.4 In this chapter, our analyses are based on the current year financial statements as presented in the Public Accounts. These financial statements report a surplus for the year of \$181.8 million. Prior year numbers used in our analyses may include restated figures obtained from the Office of the Comptroller.

1. *Indicators of Government Financial Condition*, 1997 published by the Canadian Institute of Chartered Accountants.

2.5 The 31 March 2000 financial statement expenditure figures included \$903.8 million relating to the capital cost of the Fredericton to Moncton highway. This transaction resulted in a one-time increase in expenditure and a corresponding increase in net debt of \$903.8 million in 2000. The magnitude of this transaction has a significant impact on the analyses that follow.

Results in brief

2.6 In general, the indicators for the last eight years show that the Province of New Brunswick's financial condition has improved in sustainability, flexibility and vulnerability, with some deviations from this trend showing in 1999 and 2000. The indicators affected by these deviations showed a more positive result in 2001.

Sustainability

2.7 Sustainability is the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.¹

2.8 It is now well understood by the general public that increases in the cost of servicing the public debt can directly impact the quantity and quality of programs and services to which the public has access. Accordingly many provinces, including New Brunswick, are striving to reduce their debt in order to ensure an optimum amount of funding is allocated to programs and services.

2.9 There are circumstances when governments may tolerate increases in their debt load. For example, when revenues are increasing, a higher cost of servicing the public debt might be tolerated without impacting existing programs and services. However, the ability to generate such revenues (e.g. through taxes, user fees, or licenses) is closely linked to the performance of the economy.

2.10 Therefore, any growth in New Brunswick's debt must remain in line with growth in the economy to ensure that our Province can sustain its programs and services. If debt is growing faster than the economy, New Brunswick will suffer reduced capacity for sustainability. Programs and services offered to the public may eventually suffer.

2.11 Gross Domestic Product (GDP) is the total value of all goods and services produced in the province during a specific period. GDP is often used to measure the growth of the economy.

Net debt as a percentage of GDP as a measure of sustainability

2.12 Net debt is an accounting measure of the extent to which total liabilities of the Province exceed financial assets. The net debt of the Province increases with deficits and decreases when surpluses are experienced. The financial statements for 2001 indicate that net debt

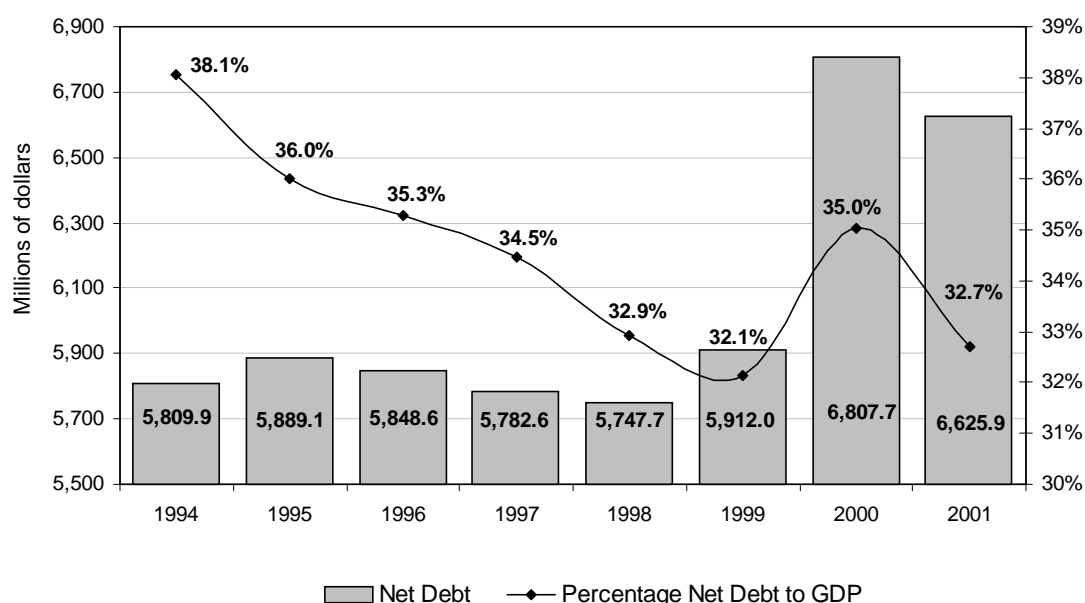
1. *Indicators of Government Financial Condition*, 1997 published by the Canadian Institute of Chartered Accountants.

stands at \$6,625.9 million - \$816 million more than its level eight years ago, but \$181.8 million less than in 2000.

2.13 The New Brunswick economy has also grown. Exhibit 2.1 shows that the Province's net debt to GDP ratio generally decreased (favourable) over the last eight years – showing the Province's increasing ability to sustain existing programs and services. The only exception to this trend came in the year 2000 as a result of recording the debt for the Fredericton to Moncton highway.

Exhibit 2.1

Net debt as a percentage of GDP¹ for the last eight years



Change in net debt and GDP as a measure of sustainability

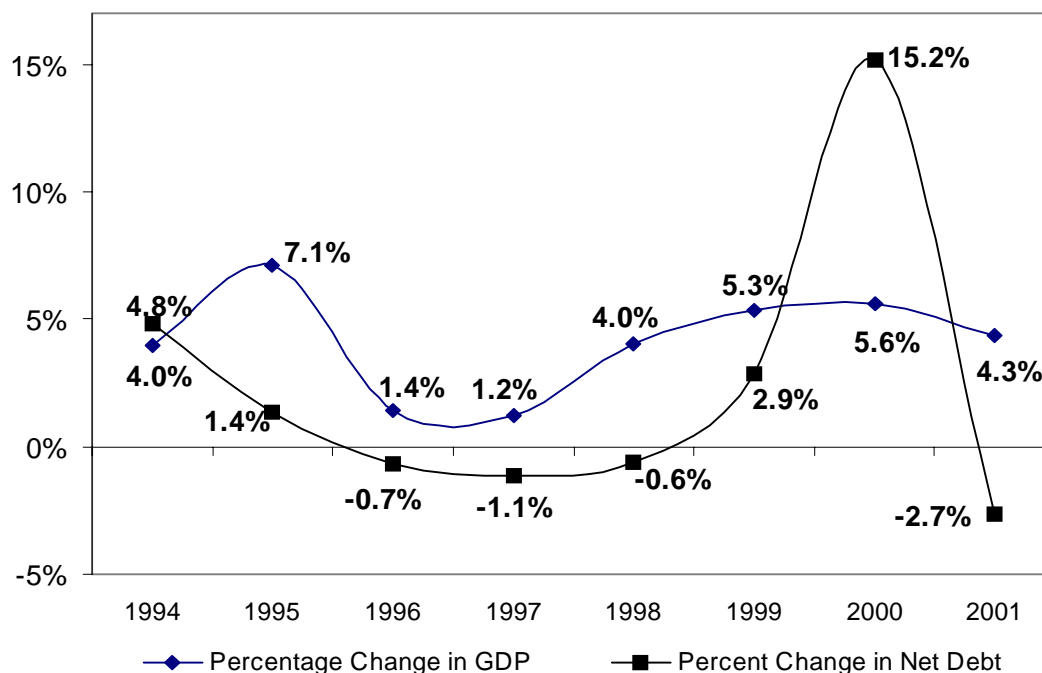
2.14 The Province can influence sustainability in two ways: by increasing surpluses (decreasing deficits) and by increasing growth in the economy. Though governments use various political, legislative and regulatory powers to stimulate the economy, the effect is neither guaranteed nor timely.

2.15 The rate of growth in the surplus or deficit and their impact on net debt is much more controllable. Exhibit 2.2 shows that the Province has experienced economic growth in excess of growth in the net debt (favourable) since 1994, with the exception of the year 2000. The deviation in the year 2000 resulted from the effects of the Fredericton to Moncton highway.

1. GDP information provided by NB. Department of Finance. Actual GDP for 1994-1999; estimated for 2000; forecast for 2001.

Exhibit 2.2

Change in net debt and GDP¹ for the last eight years



Flexibility

2.16 Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.²

2.17 Funding for programs and services is provided by either revenue or borrowing during the year. It is a useful measure of flexibility to know to what extent the Province is able to raise revenue from existing and potential sources should new commitments arise.

Own source revenue as a percentage of GDP as a measure of flexibility

2.18 One could assume that any additional funding for new programs or services might not be possible from existing revenue sources. A reasonable alternative would be to raise revenue from new provincial sources. However, the Province is only able to extract a finite amount of dollars from the economy of New Brunswick before the economy begins to falter. Though the exact capacity of the economy to bear such a burden is not known, one can determine the relative increase or decrease over time.

2.19 Exhibit 2.3 shows the extent to which the Province has removed dollars from the provincial economy through taxes and user fees/licenses

1. GDP information provided by N.B. Department of Finance.

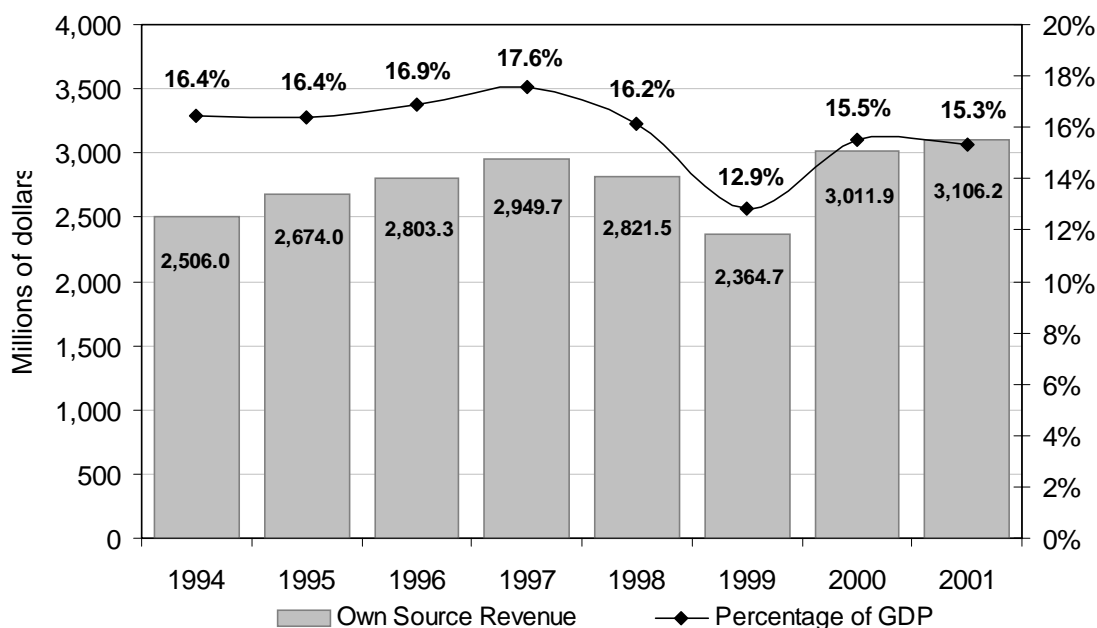
2. *Indicators of Government Financial Condition*, 1997 published by the Canadian Institute of Chartered Accountants.

during the last eight years. This exhibit shows that the dollars extracted by the Province from the New Brunswick economy as a percent of GDP gradually decreased (favourable) in this time frame, and this is particularly true since 1997. This indicates an increase in flexibility.

2.20 The large reduction in own-source revenue in 1999 was due to a \$450 million one-time write-down in the Province's investment in the New Brunswick Power Corporation.

Exhibit 2.3

Own source revenue as a percentage of GDP¹ for the last eight years



Cost of servicing the public debt as a percentage of total revenue (or “interest-bite”) as a measure of flexibility

2.21 One of the most publicized factors which affects the flexibility of governments is the cost of servicing the public debt.

2.22 The cost of servicing the public debt is comprised mainly of interest on the funded debt of the Province. It also includes foreign exchange paid on interest and maturities during the year, the amortization of foreign exchange gains and losses, and the amortization of discounts and premiums which were incurred on the issuance of provincial debt. It does not include principal repayments on the funded debt of the Province.

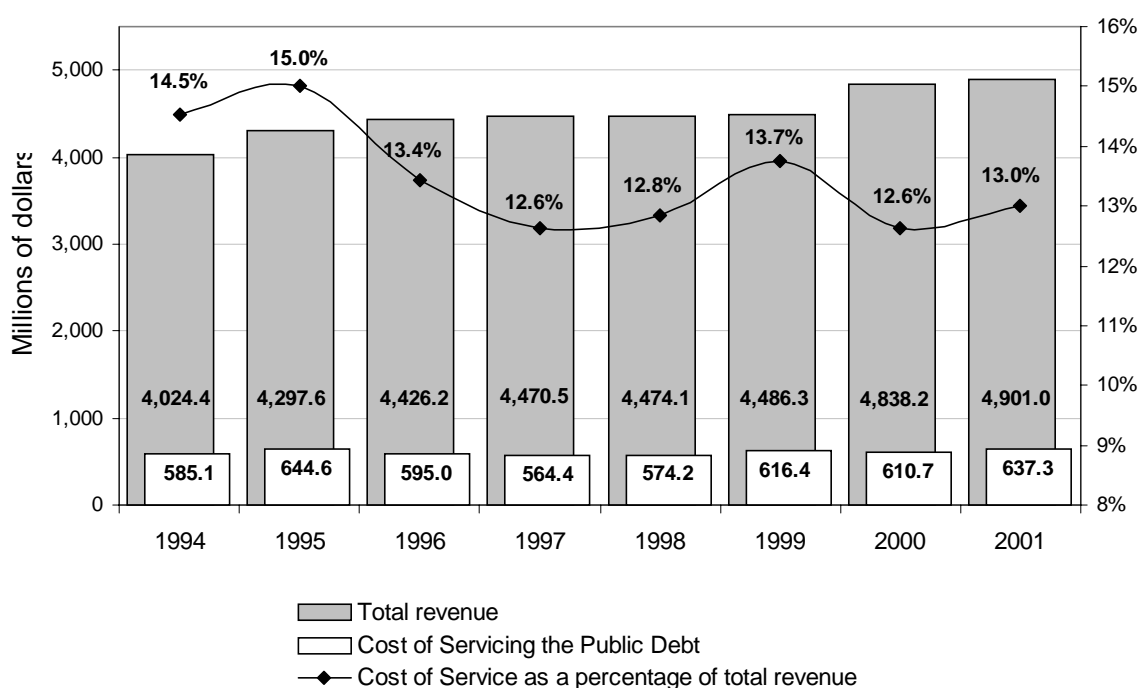
2.23 Exhibit 2.4 shows debt servicing costs as compared to total provincial revenue for the last eight years.

1. GDP information provided by N. B. Department of Finance.

2.24 This exhibit shows the cost of servicing the public debt increased in 2001 over 2000 by \$26.6 million to \$637.3 million. It also shows that the Province has increased its overall “interest-bite” percentage from its 2000 level of 12.6% to its current level of 13.0%. However, this level is lower than the peak of 15.0% in 1995. The exhibit indicates that, on a percentage basis, the Province has more of its total revenues available for current needs today than it did eight years ago.

Exhibit 2.4

Cost of servicing the public debt as a percentage of total revenue for the last eight years



Vulnerability

2.25 Vulnerability is the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.¹

2.26 Funding for programs and services can only come from two sources: revenue or borrowing.

Federal government transfers as a percentage of total revenue as a measure of vulnerability

2.27 In 2001, 36.6% of the Province's total revenue came from federal transfers. This is significant because revenue from federal sources is not considered to be as controllable as revenue generated in the Province.

2.28 Own-source revenue is more controllable because the government can directly impact the amount generated using tax legislation as well as implementation or adjustment of user-fees/licensing rates. Federal

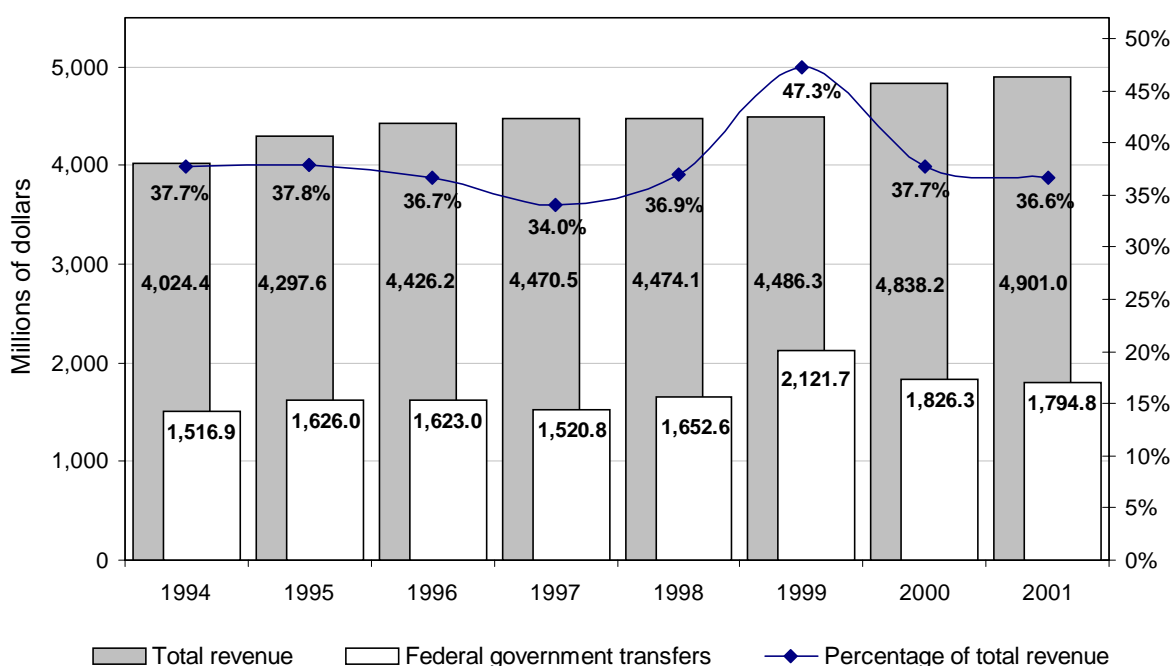
1. *Indicators of Government Financial Condition*, 1997 published by the Canadian Institute of Chartered Accountants.

transfers are subject to very different variables - few of which are under the jurisdiction of the provincial government. Federal fiscal policy decisions can severely impact provincial governments by determining the amount and timing of future transfers.

2.29 Increasing New Brunswick's reliance on federal transfers will leave the Province more vulnerable to variables outside of its own control. Exhibit 2.5 details the Province's reliance on federal transfers over the last eight years.

Exhibit 2.5

Federal government transfers as a percentage of total revenue for the last eight years



2.30 This exhibit demonstrates that approximately 37 cents of each dollar of revenue received by the Province comes from the federal government. Though a significant fluctuation occurred in 1999, the trend has been generally stable. In 1997 the province's position was more favourable at 34%.

Foreign currency debt as a percentage of total debt for provincial purposes as a measure of vulnerability

2.31 When borrowing is required, there are choices to be made by the Province. For instance, if the Province chooses to issue its debt in a foreign currency instead of Canadian dollars, the Province will assume the risk of foreign exchange fluctuations. Such fluctuations can increase or decrease the amount ultimately payable in Canadian dollars for interest, and later, redemption of foreign currency debt.

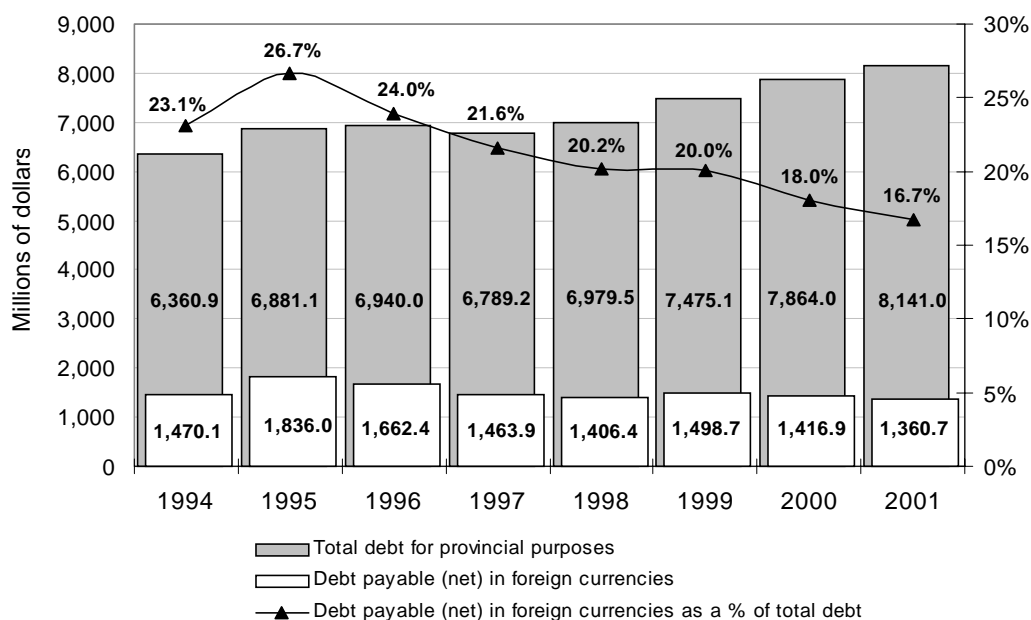
2.32 Exhibit 2.6 shows the relationship of foreign currency debt to total debt for provincial purposes over the last eight years. The Province has

several alternatives to reduce (hedge) the risk associated with debt repayable in foreign currencies:

- purchasing assets denominated in foreign currencies for the Province's sinking fund;
- entering into debt swap agreements which allows repayment of the debt in Canadian dollars; and
- entering into forward contracts (which allow the Province to purchase foreign currency at a stipulated price on a specified future date).

Exhibit 2.6

Exposure to foreign currency risk for the last eight years



2.33 The exhibit reflects the Province's exposure to foreign currency risk after eliminating the effect of hedges against foreign currency fluctuations.

2.34 The above exhibit demonstrates that the Province's vulnerability to foreign currency risk has experienced continuous decline (favourable) since its 1995 peak of 26.7% to the 2001 level of 16.7%.

Summary

2.35 In general, over the last eight years, the indicators of sustainability, flexibility and vulnerability show that the Province of New Brunswick's financial condition has improved. The only exception to this trend is the percentage of total revenue received from federal government transfers, which has remained relatively stable over the last eight years.

Chapter 3

Department of Education

Pupil Transportation

Contents

Background	21
Scope	22
Results in brief	23
Route planning	24
Driver employment standards	30
Driver training	37
Driver responsibilities	44
Departmental staff responsibilities	49
Ensuring safe condition of vehicles	55
Safety training for students	60
Alternate forms of transportation	62

Department of Education

Pupil Transportation

Background

3.1 Of the approximately 127,000 school age children enrolled in New Brunswick schools, approximately 89,000 get on a yellow school bus every school day. Another 6,000 are transported via a contracted van, vehicle, or city transit bus. There are approximately 1,650 provincially owned and contracted buses and 1,500 provincial bus drivers. Parents have entrusted the Province to implement a safe and reliable pupil transportation system.

3.2 School buses carry children of all ages and sizes to and from school and various school related activities. They operate under various conditions in various environments.

3.3 In Canada, just over two million children are transported to and from school during the school year and travel millions of kilometres annually. Transport Canada reports for the years 1988-1997 there were 204 school bus accident related fatalities, and 10,480 injuries in Canada. Those fatally injured consisted of eight school bus occupants, three bus drivers, 51 pedestrians (of these the majority were ages 5-17), and 142 passengers in other vehicles. Interesting to note is the fact that the majority of students killed were run over by their own bus. The very fact that there are so many children travelling on so many vehicles in a variety of circumstances makes it important that the Department have strong systems in place. An impressive record of no fatalities in recent years is a good thing. But it does not necessarily address the question of risk.

3.4 Because our Office has an ongoing interest in the theme of safety, we felt it important to address the issue of Pupil Transportation in the Province of New Brunswick. We believe that in order to ensure the safety of the thousands of students transported by the Province daily, the Department of Education must have sound systems and practices in place to do so. Further, the Department must demonstrate compliance with safety standards and regulations set for the Province. In keeping with this, we began an audit in the Department of Education in September 2000. Our audit was substantially completed in May 2001.

3.5 The Province has set regulations and safety standards for Pupil Transportation under the *Education Act* and the *Motor Vehicle Act*. Our

audit primarily focussed on the *Pupil Conveyance and Lodging Regulation* under the *Education Act*, which is administered by the Department of Education. Some of the standards it sets relate to conveyance arrangements, pupil conduct, driver employment and responsibilities, condition of vehicles, and departmental staff responsibilities. As it relates to pupil transportation, the *Motor Vehicle Act* provides standards regarding driver licensing requirements.

3.6 Within the Department of Education, the Pupil Transportation Branch develops provincial regulation and policies. Some of their other responsibilities include driver training, school bus specifications and purchasing, setting routing standards, maintaining bus accident statistics, production and promotion of safety material, and dealing with public concerns. The Branch consists of four employees. Their mandate is to work with the school districts to administer a safe, efficient, and dependable pupil transportation system.

3.7 At the time of our audit there were eighteen School Districts in the Province, grouped into eight Administrative Units. Each Administrative Unit consisted of a Superintendent, a Director of Education, a Director of Finance and Administration, a Transportation Manager, in some cases an Assistant Transportation Manager and several other support staff. Responsibilities of Administrative Units (or district offices) included but were not limited to enforcing regulation and policies, routing applications, route planning and scheduling, maintenance of driver files, local training programs, school zone delineation, accident investigation and follow up. Subsequent to our audit, the Province established a new governance structure of fourteen District Education Councils, effective 1 July 2001.

Scope

3.8 The objective for our audit was:

To determine if the Department of Education has adequate systems and practices in place for the safe transportation of pupils, including fulfilling its statutory and regulatory responsibilities.

3.9 We developed seven criteria to assist us in conducting the audit.

3.10 The initial planning phase of our audit consisted mainly of documentation reviews and interviews with staff from the Department of Education, primarily within the Pupil Transportation Branch.

3.11 In the conducting phase we obtained audit evidence by performing audit testing at the Department of Education's Pupil Transportation Branch, various district offices and at a number of schools around the Province. Because under government policy the Department of Transportation (DOT) provides maintenance services for all provincially owned buses, we visited the Vehicle Management Agency and a DOT Garage. We also interviewed staff and bus drivers. As part of our efforts to increase our own expertise in the area of Pupil Transportation our senior

field auditor attended the Nova Scotia Pupil Transportation Conference. We have used all information gathered to support our findings, conclusions and recommendations that are presented in this chapter.

Results in brief

3.12 The Department lacks an overall monitoring function. There is little or no monitoring of superintendents, principals, or bus drivers to ensure they are fulfilling responsibilities assigned to them in the Regulation. One area where this is evident is in the maintenance of vehicles. Superintendents have a very “hands-off” role in maintaining school vehicles in safe condition, despite the clear responsibilities assigned in the Regulation. Maintenance of both provincially owned and contracted buses is not monitored by the Department. Bus drivers informed us they are often not completing their daily pre-trip inspection checklist in its current format. Department officials admitted to us they suspected this was the case, but have not taken timely action to monitor and correct the situation.

3.13 We have concerns regarding the poor results from inspections on buses provided by Commercial Vehicle Enforcement. Given the fact that 44% of buses inspected were placed out of service in 1999 and 20% the next year, it would appear systems currently in place to ensure vehicles are adequately maintained are failing in some regard.

3.14 Another area where monitoring is weak is in the area of performance appraisal. During our audit, superintendents were not performing performance appraisals on bus drivers as Regulation requires. Thus the majority of bus drivers in the Province have never been subject to a performance appraisal. Without adequate performance appraisals, it is difficult to ensure drivers are fulfilling their own responsibilities. An improved performance appraisal system would provide an excellent opportunity for the Department to do such things as review accident reports, inspect log books, ensure completion of daily pre-trip inspection check lists, and follow up on any complaints against drivers.

3.15 Another human resource issue is the poor quality of the driver employment files. Documentation regarding driver employment is often incomplete or absent from the files.

3.16 Transportation Managers, who appear to have a demanding workload, informed us they are unable to spend the time they need on route planning and student data collection. A lack of planning may be one cause of the fact that buses are often over crowded at the beginning of the year. Despite an informal “no standees” policy, students are at times required to stand, particularly at this time of the school year.

3.17 We were pleased to note the Department has implemented an “in the classroom” training program for new drivers. However,

“behind the wheel” training provided to these drivers is inconsistent around the Province. Individuals providing behind the wheel training to new bus drivers have been provided with little or no training to do so.

3.18 Given the fact that students play a vital role in their own safety, adequate training on safety issues is imperative in our opinion. During our audit we noted that content, quantity and quality of student training varies greatly around the Province. In particular, we noted that the emergency evacuation exercises are not being provided twice each year as the Regulation requires.

3.19 We have made a number of recommendations regarding alternate modes of transportation. While it is not our intention to comment on the appropriateness of providing such service, we encourage the Department, as part of its own risk-management strategy, to review all alternate modes of transportation to ensure they meet appropriate safety standards.

Route planning

3.20 Our first criterion was:

The Department should give due regard to pupil transportation safety in assessing transportation requirements and route planning.

3.21 The Department speaks to the importance of route planning in its own School Bus Route Planning Practical Guide by stating route planning “is an activity that needs proper attention. It is a very time consuming exercise that requires a strong commitment to actually initiate the process and carry it through”.

3.22 Route planning involves creating and scheduling bus routes and stops. To do so involves assessing what the transportation requirements will be for any given year. This means knowing the numbers and ages of children to be transported in order to appropriately assign numbers and types of vehicles needed for transportation. It is important for the Department to know numbers of students travelling on buses to avoid over-crowding situations.

3.23 While we were pleased to find that the majority of staff interviewed do have genuine concern and interest for the safety of students in regards to route planning, some employees informed us that the time commitment necessary to carry it through was often absent. Transportation Managers often informed us they simply “do not have the resources or the time” to put into route planning. One Transportation Manager informed us they “would need a full time clerk to properly maintain the system.” Another manager told us of recent cutbacks to clerical staff that will have negative effects on their ability to maintain the student database information. They feel these are important contributing factors to many of the issues we note in the paragraphs that follow. We did

note during our audit that they are responsible for numerous tasks. Some of their responsibilities include, but are not limited to: managing over 100-150 bus drivers and their vehicles, monitoring road conditions, and responding to parental and public enquiries.

3.24 While we did not carry out a work load measurement study, we have some concerns over staffing issues raised by Transportation Managers.

Recommendation

3.25 We recommended that the Department review the workload of Transportation Managers to ensure adequate resources are provided to enable them to fulfil their various responsibilities.

Departmental response

3.26 *On July 1, 2001 a new governance structure was put in place and school districts no longer share administrative units. We believe that the increase in administrative units from eight to fourteen along with additional permanent positions will help to alleviate any problems that may exist. We will review district workloads in the fall of 2002. This will give districts time to adjust to the new organizational structure.*

Lack of formalized level of service to be provided

3.27 We determined that the Department has not formalized the level of service to be provided to the students and that the level of service provided varies greatly on a province-wide basis. While regulation gives some guideline as to distance eligibility, there is little guidance regarding other levels of service. We determined by our interviews that district staff varied greatly in their perceptions of what was considered an acceptable waiting time, an acceptable length of time spent on a bus, earliest pick up and drop off times, and number of students transported per bus. The Department provides little guidance in this area other than to say they evaluate these services on a case by case basis.

3.28 Departmental staff informed us that the unwritten policy is no bus may transport more than the maximum number of students as per the manufacturer's rating. For the regular school buses, this would be 72 or 84 students (max three per seat) depending on the length of the bus. Departmental officials admit, however, that this maximum rating does not take into account the age or size of the child.

3.29 Part of the reasoning behind limiting numbers of students per seat is to ensure the effectiveness of compartmentalization. Compartmentalization refers to the fact that seats are spaced and the seat backs sized to resist occupants being thrown around on impact. Federal standards currently call for high-backed seats made of soft, energy absorbing materials to retain occupants in their place in the event of an accident. This design provides a high level of protection to occupants. Research has shown that compartmentalization (the "compartment" created between two high back padded seats) provides adequate safety in most cases for students travelling in a school bus. Part of this assumption,

however, includes the understanding that all children are indeed properly seated within this compartment.

3.30 Given this, the Department informed us that the maximum number of three students per seat would only be appropriate for younger children from Kindergarten to grade 6. For grades 7 to 12, only two per seat would be appropriate. Despite this, however, the Department has not formalized policy on the maximum number of children per age group per seat. On one bus ride one of our auditors participated in, our staff observed that with three middle school age children per seat, one passenger was literally hanging in the aisle.

Recommendation

3.31 We recommended that the Department formalize the level of service it will provide to students. These standards should include the number of students per seat (based on age) per bus, acceptable waiting time, acceptable bus ride time, earliest pick up time, and latest drop off time.

Departmental response

3.32 In the winter of 2000, the department began a provincial survey of transportation service levels. One of the objectives of this project is to determine the extent to which standards for service levels can be expanded beyond the current standard for distance eligibility. This project will be completed in the fall of 2002.

Lack of training provided for route planning

3.33 We were pleased to note that the Department had developed what we would consider two excellent documents to assist staff with route planning. Both the "School Bus Route Planning Guide" and "School Bus Stops Practical Guide" in our opinion are useful tools for staff. The guides provide very detailed information on route planning, implementation, and evaluation processes. Few of the Transportation Managers we interviewed were using these guides in any consistent manner. Further, most Transportation Managers informed us they had received no formal training in route planning and basically just "learned as they went along".

Recommendation

3.34 We recommended that the Department establish a formal training plan to assist Transportation Managers with their route planning responsibilities.

Departmental response

3.35 Training of staff is now the responsibility of DEC's. The Department will discuss the need for training opportunities and availability of courses with districts.

Lack of evaluation of bus routes and stops

3.36 In our opinion, part of successful route planning would involve a regular and consistent monitoring and evaluation process. The Department's own route planning guide suggests that it is potentially hazardous to assume that once school bus stops and routes have been assigned they will always be safe. Often new traffic patterns evolve, the number and types of students on runs change, and new subdivisions are created, all leading to issues that potentially affect the safety of current

routes. One bus driver spoke of his own experience of “route hypnosis”, whereby you drive the same route for so long, you are less apt to notice safety issues. While interviewing district staff on this issue, we got the distinct impression that routes and stops were based on historically what had been done a number of years ago. The Department informed us they rely on bus drivers to let them know if they have any problems. While we agree it is beneficial to rely on input from bus drivers as to where the safest stops are, we would expect the Department to monitor routes and stops periodically to ensure their safety.

Recommendation

3.37 We recommended that the Department ensure that routes and bus stops are re-evaluated on a regular basis.

Departmental response

3.38 *Each year, before school opens, districts look at the routing of school buses and the location of bus stops in order to assign new kindergarten students coming into the system and to evaluate the impact on bus routes of losing students that graduated in the previous school year. The department will discuss with districts the feasibility and benefit of expanding this review on a revolving basis.*

Lack of reliable and current student data

3.39 In order to avoid over-crowding situations, it is important to pre-determine the number of students travelling on each bus. When we began auditing, we expected to be able to easily obtain reliable and current student data and bus schedules. For example, we were interested in knowing what students are on what buses at what times. This data was not readily available in some cases.

3.40 Bus drivers in some regions informed us they are asked to update student data as they are driving the bus or as they come to bus stops. They are to write down the number of students (and in some cases, names) at each stop. Bus drivers we interviewed expressed to us their safety concerns regarding this issue. We agree that this practice has the potential to either take the driver’s attention away from the wheel or spend inordinate amounts of time at a particular stop. We feel this method of obtaining data is a potentially hazardous situation. One driver we interviewed was so fearful of this practice that he would bring his wife along to gather the data.

Recommendation

3.41 We recommended that the Department review current methods for obtaining student data to ensure the safest possible method of updating data is used.

Departmental response

3.42 *The Department discourages school districts from using drivers to collect route and student data while driving their bus. Districts will be reminded that this is not an appropriate practice.*

Inconsistent application of 2.4 km rule

3.43 Section 3(1) and 3(2) of the *Pupil Conveyance and Lodging Regulation* states:

The superintendent of the school district may provide for the conveyance of all pupils living at least two and four-tenths kilometres from the school that they attend.

The Minister may, for any reason the Minister considers sufficient and after consultation with the superintendent of the school district, authorize the conveyance of pupils for a distance shorter than that mentioned in subsection (1).

3.44 During our audit we determined that none of the regions we visited were consistently applying the 2.4 km guideline. Practice has been for Transportation Managers (sometimes, but rarely, in consultation with superintendents and/or the Pupil Transportation Branch) to decide the appropriateness of transportation to be provided. In reality this means that in some parts of the Province several children living closer to the school than 2.4 km are provided with transportation, while in other parts of the Province they are not. Distance eligibility for transportation varies around the Province. Some districts informed us they transport students living as close as .5 km from the school, while others did so for students living between 1.5 and 2.4 km from the school. One Transportation Manager did try to enforce the 2.4 km for any new students and kept a file documenting reasons for providing service to those living closer than 2.4 km. The Department, however, was unable to provide us with a single written authorization from the Minister. Understandably, staff informed us of the difficulties in not providing service to students who in the past were granted such service.

3.45 While it is not our role to comment on the level of service the Department should be providing, it is our role to report on compliance with the Regulation. A recent departmental survey of all districts shows that they are currently providing transportation to over 12,500 students in the Province living closer than 2.4 km from the school. We determined that the various districts do not base the decision to transport these students on any consistently applied criteria. They do not consistently consider the impact of crowding these extra students potentially have on the current busload.

Recommendation

3.46 We recommended that distance eligibility of 2.4 km for the transportation of students be applied consistently throughout the Province. In all exceptions to this 2.4 km rule, we recommended the Department ensure the Ministerial authorization (as per paragraph 3(2) of the Regulation) is properly documented on file. If not practical, we recommended the Department amend the Regulation accordingly.

Departmental response

3.47 *Pupil Transportation regulations were amended effective July 1, 2001. Superintendents are now required to transport students residing more than 2.4 km from the school. Ministerial approval to transport students within 2.4 km is no longer required. Superintendents can provide*

transportation for students living within a shorter distance with the approval of the District Education Council.

Lack of formal policy on standees

3.48 Given the importance of compartmentalization as discussed above, we feel strongly that the Department of Education should develop a formalized “no standees” policy. While the Department informs us this is the current practice, we did note varying standards around the Province.

3.49 In a survey the Department issued to various districts last year, all Transportation Managers reported to the Department that they had no standees on any buses. We were then notably surprised to find that in the majority of our regional visits, Transportation Managers and bus drivers informed us they regularly have standees, especially for the first few weeks of the year, when “routes are just getting settled.” One Transportation Manager informed us he felt that departmental policy was to drive with one standee per row of seats. On a regular 72 passenger bus this would be 12 standees.

3.50 One bus driver informed us he has driven with students filling the aisle and backed to the front door on occasion. Drivers told us there is no clear understanding of what to do in the case of crowded buses. Some drivers said they are told “never to leave students behind at a bus stop - even if this means standing” and others informed us they are told “never to drive with any students standing on a bus”. Transportation Managers communicated their uneasiness about having no formal policy on this issue.

Recommendation

3.51 We recommended that the Department develop and enforce a “no standees” policy. This policy should be documented, communicated, monitored, enforced and consistently applied throughout the Province.

Departmental response

3.52 *This requirement was established under the new Regulation and will be monitored.*

Poor communication with affected parties regarding the seat belt issue

3.53 Time and time again during our audit, the issue of seat belts on buses was raised. We noted numerous newspaper articles and editorials on such over the past few months. Prior to beginning our audit, we were unaware of many of the so-called “seat belt issues”. We were encouraged to learn through our research that many experts (some of which are at Transport Canada) are diligently studying the issue.

3.54 The latest report published by Transport Canada states that in the types of accidents most likely to occur in school buses, seat belts may actually cause more harm than good. Transport Canada praises “compartmentalization” as an excellent source of safety for our children. While we were comforted by these findings, we were disappointed that this information has not been passed on to the students, the parents, and the public in general.

3.55 We held numerous discussions on the issue with Department officials. We are confident that the Department is not basing its “no seatbelt” decision on dollars but rather safety. We would encourage the Department to educate all affected parties on the seat belt issue at every opportunity. We would suggest the material sent home to parents include information on seat belt research statistics, explanation of the fact that most accidents do not occur on, but around a bus, current bus design and the benefits of such.

Recommendation

3.56 **The Department should provide information to both students and parents on the seat belt issue.**

Departmental response

3.57 *The Department and school districts will provide information on the seat belt issue and any other safety issues to any interested party upon request.*

Conclusion

3.58 This criterion was partially met. While the Department has made some contributions to improving route planning by developing guides and attempting to implement improved database systems, we feel there are further improvements to be made in this area. The Department lacks a formalized level of service, thus the level of service provided varies greatly around the Province. The Department has not formalized a “no standees” policy and students are standing on buses in certain areas of the Province. Because student data is not always accurate or up to date, some districts are having difficulty planning routes and stops, and the number of buses needed.

Driver employment standards

3.59 Our second criterion was:

The Department of Education should ensure that drivers of vehicles transporting students meet appropriate employment standards.

3.60 Given the vital role drivers of school vehicles play in the safety of pupils, we feel it important the Department ensure such drivers meet appropriate employment standards.

3.61 We visited six Administrative Units around the Province to review driver employment standards. In the process we interviewed Transportation Managers, Assistant Transportation Managers, clerical and payroll staff and drivers. We reviewed 94 driver employment files.

3.62 For our audit purposes we defined “appropriate employment standards” to encompass the following attributes:

- valid license;
- physically fit;
- appropriate age (21-65);
- appropriate driver abstract;
- sober habits, industrious, good appearance, good health;

- capable of exercising good judgement and controlling pupils;
- capable of making minor inspections and repairs to a school vehicle; and
- appropriate result from criminal record check.

3.63 All but the latter requirement come directly from the *Pupil Conveyance and Lodging Regulation*. The requirement for an appropriate criminal record is current practice in the Department but is not required by current Regulation.

Lack of monitoring of employment requirements

Licensing requirements

3.64 In the Province of New Brunswick, an individual wishing to drive a bus (vehicle with more than 24 passengers) usually obtains a class 2 license with a B endorsement. The *Pupil Conveyance and Lodging Regulation* stipulates that licenses must be renewed at the determination of the Superintendent. Though not in Regulation, the Department in co-operation with the Department of Public Safety has in practice required class 2 licenses to be renewed every two years.

3.65 In our audit of the various districts we were disappointed to note that some were not tracking the validity of licenses in a consistent manner. In three districts we did find a valid drivers license in every employee file reviewed. In one of these, however, the Transportation Manager admitted to us they don't review these for validity, but keep them on file for easy reference. In the other three districts, we noted that 22% of driver files did not contain a copy of a valid license. Nor did the Department have any file for licenses or system in place to ensure drivers did indeed have a valid license. Departmental officials informed us of their confidence that their drivers do have valid licenses. However, given a lack of monitoring, a driver could potentially drive a school bus without a valid license.

3.66 We inquired with various district staff as to whether or not they had a system in place that would "flag" licenses up for renewal on a monthly basis. The majority informed us that they did not, despite the fact they felt they would have the capability to do so. We encouraged the Department to ensure districts flag license renewals due on a monthly basis.

3.67 Prior to 2000, the Department of Education had an informal agreement with the Motor Vehicle Division that they would be notified in a timely manner of any driver that lost their license. In discussions with various Transportation Managers they described to us their uncertainty in this regard with the newly formed Department of Public Safety. They wondered if this system is still in place.

Recommendation

3.68 We recommended that the Department formalize the understanding with the newly formed Department of Public Safety to ensure lines of communication exist to inform the Department of Education regarding loss of licenses.

<i>Departmental response</i>	3.69 <i>The Department will initiate discussions with the Department of Public Safety.</i>
<i>Medical fitness and age requirement</i>	<p>3.70 The <i>Pupil Conveyance and Lodging Regulation</i> stipulates that persons employed as drivers of school vehicles must submit proof of physical fitness both before employment and each time the person's drivers license is renewed. We were pleased to note that systems are in place such that a driver cannot renew their license at the Motor Vehicle Division without first providing proof of medical fitness to the Driver Examiner. The Department relies on this control to ensure that all their drivers are physically fit. As previously discussed, however, if the Department does not monitor validity of licenses, they are not ensuring drivers are physically fit.</p> <p>3.71 The <i>Pupil Conveyance and Lodging Regulation</i> stipulates that drivers of school vehicles must be between the ages of 21-65. Similarly, the Department relies on the Motor Vehicle Division to not renew licenses for drivers outside this age range. And again, without consistently monitoring the validity of licensing, the Department does not ensure drivers are in the required age category.</p>
<i>Recommendation</i>	3.72 We recommended that the Department establish a process to monitor the ongoing validity of drivers' licenses.
<i>Departmental response</i>	3.73 <i>The Department will initiate discussions with the Department of Public Safety.</i>
Not consistently obtaining driver abstracts	<p>3.74 A driver abstract is a record of one's driving history. It would show any motor vehicle infractions in the Province as well as those forwarded from other co-operating jurisdictions in Canada and the U.S. The <i>Pupil Conveyance and Lodging Regulation</i> stipulates that superintendents are to obtain a driver abstract before employment. In keeping with this, it has been the Department's practice to do so since approximately 1997. Of the driver files we examined during our audit, 62% had no record of a driver abstract. While some of these drivers were employed prior to 1997, others were not.</p> <p>3.75 While it is current practice to only obtain a driver abstract upon employment, one Transportation Manager we interviewed does so on an annual basis. In our opinion, this is an excellent process to verify that bus drivers continue to maintain an acceptable driving status. The Department is considering adopting this practice and we would encourage them to do so.</p>
<i>Recommendation</i>	3.76 We recommended that the Department obtain driver abstracts as required by Regulation. The Department should also consider the benefits of obtaining driver abstracts on a regular basis.

Departmental response

3.77 Under the Pupil Transportation Regulation, which was revised effective July, 2001 a driver must submit a driver abstract to the district not only as a condition of employment but also when his/her license is being renewed every two years. In consultation with the school districts, the Department will develop a monitoring process to ensure compliance.

Lack of definition regarding an acceptable driver abstract

3.78 Given the requirement to obtain a driver abstract, we anticipated the Department to have developed a formalized definition of what constitutes an acceptable driver abstract. We found this not to be the case. It is up to the discretion of individual Transportation Managers to decide for themselves what they consider to be “acceptable” or “not acceptable”. In our interviews with various managers we found varying degrees or definitions of acceptability. Some managers found it acceptable to have numerous motor vehicle infractions. Others did not. Most managers tried to take into account when and how often the incidences occurred. Although this varied from region to region, we noted multiple incidences of accidents and speeding infractions while examining driver files. For this reason, we feel it is important for the Department to develop standards as to what constitutes an acceptable driver abstract and implement these standards accordingly.

Recommendation

3.79 We recommended that the Department develop standards regarding the definition of an acceptable driver abstract and apply this definition consistently on a province-wide basis.

Departmental response

3.80 The Department will work with school districts to develop a set of guidelines.

Lack of clarification of expectations

3.81 Under the heading “Employment requirements” the *Pupil Conveyance and Lodging Regulation* describes drivers as being required to be “of sober habits, industrious, of good appearance.” Further, Regulation describes a condition of employment as being “capable of exercising good judgement in handling a school vehicle and in controlling pupils.” Given this, we anticipated the Department would have formalized expectations regarding such. However, most district Transportation Managers informed us it was “just a gut feeling” in determining whether or not an individual possesses these characteristics. While we in no way wish diminish the value of such judgement, we do feel it would be useful for the Department to provide districts with guidance regarding activities or behaviour that may lead an employer to believe a prospective employee is of “sober habits” for example. We found little documentation of this in employee files. The requirement of documentation would ensure such standards were at least considered in the hiring process.

Recommendations

3.82 We recommended that the Department formalize guidelines for terms “sober habits, industrious, good appearance, good health” as described in Regulation so that they may be consistently applied on a province-wide basis. We recommended that examples of such be well documented in employee files.

3.83 We recommended that the Department formalize guidelines for the term “capable of exercising good judgement in handling a school vehicle and in controlling pupils” as described in Regulation so that it may be consistently applied on a province-wide basis. We recommended that examples of such be clearly documented in employee files.

Departmental response

3.84 *The Department prefers to leave the determination of standards/guidelines for physical fitness and comportment to the districts.*

Lack of consistency in obtaining criminal record checks

3.85 As discussed previously, Regulation does not require employees to consent to and produce a criminal record check prior to or during employment. However, we were told that it is departmental practice to do so. It is noted in the driver handbook and on a form for admittance to the Driver Training Course. In examining driver files however, we determined that this practice varies greatly around the Province. Some districts informed us they began to obtain criminal records in 1996, others in 1998. Of the driver files we examined, only 23% showed evidence of having a criminal record check on file. While the Department explained to us the reason for this is that the majority of these drivers were hired prior to the implementation of the practice of obtaining criminal records, we noted cases of drivers hired more recently with no record on file. Where criminal record checks are done, they are currently only done prior to employment. No districts are obtaining criminal record checks on a periodic basis.

Recommendation

3.86 We recommended that the Department formalize policy regarding obtaining criminal record checks for bus drivers. The Department should ensure such policy is applied on a province-wide basis.

Departmental response

3.87 *The Pupil Transportation Regulation, revised effective July 1, 2001 requires all prospective drivers to consent to a criminal background check. A process to monitor for compliance will be implemented.*

Lack of standards for criminal record checks

3.88 Similar to driver abstracts, the Department has not formally defined an “acceptable” criminal record. Transportation Managers individually decide on whether a given criminal record is acceptable or not, and levels of acceptability vary around the Province. While all Transportation Managers we interviewed informed us they would never hire an individual with a history of violent crimes or crimes against children, they were unclear on other charges like marijuana or drug related offences. While examining driver criminal record checks, we did note one instance of a marijuana conviction. Transportation Managers informed us they try to consider the time the charge occurred. For instance drug convictions from fifteen years ago would potentially be less relevant than those of last year. We feel it would be prudent for the Department to formalize standards for criminal record checks.

Recommendation

3.89 We recommended that the Department formally define an “acceptable” criminal record and ensure consistent application on a province-wide basis.

Departmental response

3.90 In consultation with school districts, the Department will develop guidelines for an “acceptable” criminal record.

Lack of standard employment process

3.91 The Pupil Transportation Branch informed us of the following process they follow as a standard employment process for hiring a bus driver. An advertisement is placed in the paper and applicants apply. To do so, they complete an application form (not specific to bus drivers, but for support staff in general), include a resume and drop this off at the local Transportation Office. A Transportation Manager would review applications, and select those most qualified for an interview. Those applicants passing the interview would be asked to supply a criminal record check, a driver abstract and a medical form. If appropriate, they would then be admitted to the five-day New Brunswick Driver Training Course. Once passing this, they are eligible to write their exam for their instructional permit. They are at this time not permitted to drive a bus with children in it. They practice driving without children on a bus and then go for their regular license. Once successful, they are placed on the Department’s supply list and are called upon to drive when necessary. Most supply drivers are indeed used on a fairly regular basis. When a full time position comes available, supply drivers may apply.

3.92 While auditing the various districts we determined that the hiring process varies from district to district. While some Transportation Managers hold formalized job interviews, others do not. In fact, 90% of the driver files we examined showed no evidence of an interview.

3.93 The Department does not have a standard employment application form specifically for bus drivers. Some districts are using the same employment application form for all support staff (bus drivers, clerical, janitorial), while some other districts have developed an application form specifically for bus drivers. One Administrative Unit we visited showed us a very detailed employment application form they supply to potential bus drivers. We were particularly pleased to note areas were provided for the potential employee to note any experience working with large groups of children and to list references with phone numbers. There was also an area for departmental staff to sign off if references had indeed been checked and to note comments regarding the reference check. We were disappointed to note that in these same districts, we found little evidence of usage of these application forms. In several cases, employee applications were not in the employee file. If they were in the file, the form was often incomplete.

3.94 In five of the six Administrative Units we visited, we found virtually no driver files with evidence of any sort of reference checks having been completed. Though some resumes included references, there

was little evidence to show if the Department indeed contacted any of these and what the results of such contact were.

Recommendation

3.95 We recommended that the Department formalize the requirements for reference checks on all prospective school vehicle drivers. We recommended the Department document the results from interviews and reference checks in all employee files.

Departmental response

3.96 *In consultation with school districts, a process to document results from interviews and reference checks will be developed.*

3.97 Several transportation managers informed us that sometimes drivers are admitted to the driver training course prior to having met employment standards (i.e. an acceptable criminal record, driver abstract, medical, or passing interview). They informed us that sometimes because a driving course is beginning in their area, they might let a driver into the course prior to the person meeting the above requirements. For instance, if a course offering begins on Monday and an applicant applies on Friday, the time constraints might prevent the Department from gathering appropriate employment data before the course begins. Departmental staff informed us that when this happens, they may forget to go back and obtain employment standards data.

3.98 We were pleased to note that during our audit, the Department informed us it implemented a control feature whereby no one would be issued a certificate of completion from the driver training course unless they had indeed first met the standards of employment. We then audited this control feature by examining documentation on three course participants from each of three driving training course offerings. Out of these nine drivers that were issued course completion certificates, we noted two still had no valid medical on file and three had no documentation from any job interview. We did observe, however, that all incidences noted were from one region; thus this problem may be limited to this particular region. It does point out the need for consistent application of policy in all regions. Therefore we encourage the Department to continue this practice of withholding certificates of completion until all employment standards are met and ensure it is implemented consistently.

Recommendations

3.99 We recommended that the Department ensure that no bus drivers are hired until they meet employment standards.

3.100 We recommended that the Department develop and implement a consistent hiring process for bus drivers.

Departmental response

3.101 *A process was put in place in the spring of 2001 which stipulates that no new drivers will be provided with a Provincial School Bus Driver's Training Certificate unless documentation is provided to the Pupil*

Transportation Branch that employment standards (medical, driver abstract and criminal record) have been met.

Lack of monitoring employment standards for contracted drivers

3.102 The Department has a standard school bus conveyance agreement for full size school buses that is used for all conveyance contracts. The terms of the contract state that the Contractor shall supply “fully qualified driving personnel”. The contract further stipulates that such personnel should conform with the provisions of the *Education Act* and the *Motor Vehicle Act*, concerning school buses and school bus drivers, and regulations thereunder.

3.103 Departmental officials told us they do not monitor this aspect of the contract. They have no knowledge regarding the employment standards used by the current contracted bus companies. While we would not expect the Department to review contracted employee files, we would expect the Department to ensure employment standards as described in Regulation are being adhered to by contractors.

Recommendation

3.104 We recommended that the Department monitor employment standards for contracted school bus drivers to ensure they are consistent with the stated Acts and Regulations.

Departmental response

3.105 *School bus drivers employed by a contractor must meet the same employment standards as a school bus driver employed by the Province. The Department in conjunction with the school district administration will conduct reviews of employee files.*

Conclusion

3.106 This criterion was not met. We have determined that the Department lacks consistent hiring practices. Employment standards vary around the Province, indicating there is a need for clarification of such standards. Documentation in employee files is poor and in need of much improvement. We found several instances where certain regulatory requirements for employment were not validated.

Driver training

3.107 Our third criterion states:

The Department of Education should ensure that drivers of vehicles transporting students are adequately trained.

3.108 The Department of Education has implemented a mandatory driver-training program. The Department initiated an Inter-Provincial Pupil Transportation Survey in 2000. Out of the eight provinces that responded to the survey, only two of these required any form of mandatory provincial driver training. We commend the Department for being proactive in this area!

3.109 The Department’s training program consists of four days of classroom training and a half-day of first aid training. As part of our audit, we reviewed the content of the training program. Topics include training

in Regulation, log books, collision reports, pre-trip inspections, air brakes, and student discipline.

3.110 Along with ten potential driver candidates, two of our staff attended part of a driver-training course offered in Moncton. At this course we were impressed with both the instructor and the course content. We do however have some areas in which we feel the Department could improve upon driver training to ensure it continues to be one of the best in the country.

Non-compliance with Regulation regarding drivers of vans

3.111 The Department currently employs approximately two hundred drivers of contracted cars and vans. Due to the smaller number of students requiring transportation in any given area, sometimes the Department uses cars and vans instead of buses to transport these students. Vans can be either passenger vans (typically carrying seven passengers) or larger vans carrying ten to twenty-four people. Regulation requires drivers of vans to take the prescribed driver training course. Although the Department interprets “van” to mean a vehicle with more than ten passengers, Regulation does not define a van as such. The Department informed us they currently encourage drivers of vans carrying more than ten people to attend driver training but it is not mandatory. Drivers of passenger vans are not required to complete any formalized training. While we realize the requirements of driving a van do differ from that of a bus, we encourage the Department to follow its own Regulation. If the Department deems the training requirements inappropriate for vans, the Department should review the specific training requirements of drivers of such vans. For example, it would certainly seem relevant to train van drivers in such areas as student discipline and emergency procedures.

Recommendations

3.112 We recommended that the Department comply with Regulation by ensuring that all drivers of vans have received the mandatory training program. If the Department determines aspects of such requirements to be not applicable, the Regulation should be amended accordingly.

3.113 We recommended that the Department consider the specific training needs for drivers of vans.

3.114 We recommended that the Department define “van” for purposes of enforcing the Regulation.

Departmental response

3.115 *The Pupil Transportation Regulation was amended effective July 1, 2001. All drivers of school vehicles of ten passengers or more are now required to complete the mandatory training program prescribed by the Department.*

Inconsistent “behind-the-wheel” training provided to new drivers

3.116 Once new bus drivers have completed the driver training program and obtained an instructional permit, they are assigned a “mentor” by the individual school districts. A mentor is a bus driver currently employed by

the Department who staff feel is experienced enough to provide some coaching to new drivers. This training or coaching complements the initial classroom training program. Its purpose is to review the principles and procedures necessary to develop safe driving skills and techniques. Some of the training includes pre-trip inspection, mirror adjustment, steering and turning a bus, negotiating turns, traffic flows, and loading and unloading practices. Training usually begins by actually having the new driver drive an empty bus. It may also involve observing the mentor drive with children on the bus. Mentors will generally share their knowledge and expertise with these potential new drivers. Mentors will then provide feedback to the Transportation Managers on performance.

3.117 In our interviews in various districts, we found that both the content and length of “behind-the-wheel” training varies around the Province. We determined that the length of time for such training could vary anywhere from three hours to a number of days. The Department has no formalized standards regarding the length of time or content for training. Mentors have been provided with no formalized training on how to train other drivers. Each driver has their own way of doing things and emphasizes what they feel to be most important. We feel improvements could be made in this area. We are in no way questioning the expertise of the Department’s current driver mentors. We do feel, however, that the same standards should be applied to all potentially new drivers in the Province.

3.118 We were surprised to note that, in the majority of cases, a potential new driver never actually drives with children on a bus before being hired by the Department. While an instructional permit does not allow drivers to drive a bus with children on it, we feel the Department could certainly evaluate a driver in this manner after they have received their Class 2B license.

3.119 We are pleased to note that during our audit, departmental staff informed us that the Department is currently in the process of implementing a formalized Driver Coach Program. This would involve more formalized training of current bus drivers as driver coaches. We encouraged the Department to ensure consistent training for coaches and consistent course content.

Recommendations

3.120 We recommended that the Department complete the development and implementation of a Behind the Wheel Driver Training Program. This program should be provided to all appropriate candidates and evaluated for effectiveness in a timely manner.

3.121 We recommended that the Department develop and provide appropriate training for all driver coaches.

3.122 We recommended the Department develop an appropriate evaluation of driver performance while driving with children in a vehicle. Results of such an evaluation should be clearly documented in employee files.

Departmental response

3.123 *The Department and the Districts are committed to the implementation of a formal Behind the Wheel Driver Training Program. There are on-going discussions regarding the position of driver coaches with the bargaining unit and the Department is confident that an agreement will be reached. Training will be provided to driver coaches and a standard driver performance assessment tool will be developed.*

No formalized standards for mentors to use

3.124 We interviewed two driver mentors who regularly provide behind-the-wheel training to bus drivers. We questioned these mentors on their standards for determining if a new driver's performance was satisfactory (i.e. does this driver possess driving skills satisfactory to the Department?). The answers were consistent in both cases, being "you just know" or "you can just tell". While we do not question the mentor's expertise in this area, we feel the Department should formalize these standards. We would consider it to be more appropriate to have a checklist of driving attributes or criteria the Department is looking for to assist driver mentors in their evaluations of new drivers. Thus if a driver passed the criteria set out by the Department, he or she would have successfully passed the Behind the Wheel Driver Training Program.

Recommendation

3.125 The Department should develop standards for successful completion of the Behind the Wheel Driver Training. Such results should be clearly and consistently documented in employee files.

Departmental response

3.126 *Standards will be in place when the Behind the Wheel Driver Training program is implemented.*

Not all drivers attending refresher courses

3.127 Regulation requires that all drivers of buses and vans must attend yearly refresher courses sponsored by the Department. Refresher course topics vary from year to year depending on what the Department (in consultation with drivers) feels is most beneficial at the time. We determined that while the Department does not insist on this attendance requirement for drivers of vans, the general policy is that all full time and spare bus drivers must attend.

3.128 We audited attendance in two Administrative Units. In one unit we visited we determined that while 97% of regular drivers did attend refresher training, only 58% of supply drivers had. In another district only 83% of regular drivers had attended refresher courses. During our audit, some district staff informed us they were having difficulty getting supply drivers to attend these yearly refresher courses. Supply drivers are drivers who have successfully completed the initial driver training, have their licenses and are awaiting full time work. While they are not yet full time employees, the districts informed us they are called upon on a fairly

regular basis to drive. Most districts rotate the supply list to ensure all supply drivers get equal opportunity to drive.

Recommendation

3.129 We recommended that the Department ensure that all drivers attend refresher courses as required by Regulation.

Departmental response

3.130 *The Department in cooperation with the school districts administration will put in place a monitoring process for this requirement.*

Lack of accident statistics analysis

3.131 Bus drivers are required to submit accident reports for every accident they are involved in. Districts are required to accumulate these accident statistics and submit them on a quarterly basis to the Pupil Transportation Branch. Accident reports detail the type of accident, probable cause, driver, conditions, number of students involved, etc.

3.132 We expected to find the Department analyzing these reports with regards to types of accidents, types of drivers, etc. to better enable it to identify problem areas. However, staff in the Pupil Transportation Branch informed us that these accident statistics are currently analyzed strictly for the number of accidents to report for insurance purposes. Given the detail provided on these accident reports, we feel the Department has not maximized their usage.

3.133 Further we noted that, once accumulated, the Pupil Transportation Branch is not relaying any of this information back to the districts in any consistent manner. One district we interviewed was extremely surprised when we informed them they had by far the highest reported accident rate in the Province.

3.134 In our own analysis of accident statistics, we determined that for the months January-June in 2000, there were a total of 87 accidents involving buses or vans reported by various districts. Thirty percent of these accidents occurred while reversing or turning a vehicle. Further, 64% of all accidents occurred in the first quarter, perhaps indicative of poor winter driving conditions. We feel these statistics would be potentially useful in determining appropriate refresher training for drivers. In this case, perhaps winter driver training or training on reversing or turning a vehicle might be appropriate.

3.135 During our audit, departmental officials informed us they were working on a database system specifically for the purpose of tracking accidents. They are currently developing a software system that will not only capture the data but also produce periodic reports. We encouraged the Department to continue to implement this system and use it to its full capabilities.

Recommendation

3.136 We recommended that the Department use accident statistics regarding types of accidents as a tool for planning topics for refresher courses.

Departmental response

3.137 *The Department agrees with the recommendation and will proceed accordingly.*

Drivers express need for more disciplinary training

3.138 A consistent theme among drivers and administrators we interviewed was that bus drivers need more training on how to better manage students and disciplinary issues. One principal we interviewed shared with us the fact that bus drivers often must abort their runs and return to the school yard, unable to deal with a disciplinary situation. This particular principal feels this is necessary in some cases, but could be avoided in others if drivers were provided with more training in this area. Because we heard these comments so often during our audit, we feel it is important for the Department to address this issue on a province-wide basis and consider providing some additional training in this area.

Recommendation

3.139 **We recommended that the Department develop training on disciplining student behaviour and deliver this training to its bus drivers in a timely fashion.**

Departmental response

3.140 *Student discipline is part of a module covered in the initial driver's training program for all new drivers. The Department Student Services Branch along with the Department Pupil Transportation Branch and in consultation with the school districts is currently reviewing the needs in this area. The objective is to develop instructional materials and reference documentation that could be used by Transportation Managers or other school districts personnel to assist them in training school bus drivers. Also, a list of training videos on different aspects of pupil transportation including the issue of student discipline has been made available to the school districts.*

No formal policy or legal requirement for first aid training

3.141 While there is no formalized policy to do so, the Department informed us it has been practice for a number of years to require drivers of regular school buses (both provincially owned and contracted) to have valid first aid training. This training is valid for a period of three years and drivers must then be re-certified. We interviewed several Transportation Managers and reviewed driver employment files for documentation regarding such training. We discovered that the majority of Transportation Managers we interviewed did not track the re-certification due dates for employee first aid training. In other words they wouldn't really know if all employees had valid training, or when each employee is due to have training. We found little evidence of first aid certificates in driver files. Managers informed us that they feel drivers would have had first aid training and the certificates would simply be in their own possession. We feel the Department should be more closely monitoring the validity of drivers' first aid training.

3.142 While it has not been departmental practice to require first aid training for drivers of contracted vans (for any number of passengers) or contracted cars, we would encourage the Department to consider the benefits of such training.

Recommendations

3.143 We recommended that the Department formalize policy regarding the first aid training requirement.

3.144 We recommended that the Department ensure all drivers are re-certified in first aid training every three years.

3.145 We recommended that the Department evaluate the benefits of requiring first aid training for drivers of vans and contracted vehicles.

Departmental response

3.146 *Although it was not legislated, it has been the practice that all school bus drivers have to maintain a valid first aid certificate. This practice is now established as a requirement under the Pupil Transportation Regulation as of June 29, 2001. All drivers of school vehicles of 10 passengers and more are required to have a valid first aid certificate. For a vehicle of less than 10 passengers, a first aid certificate is strongly recommended.*

Inconsistent documentation of distribution of Policy 701

3.147 Policy 701 is a Pupil Protection Policy developed by the Department in 1996 and revised in 1998. The purpose of this policy is:

to protect pupils in the public school system from abusive behaviour by adults to which they may be exposed by virtue of being pupils including physical, sexual and emotional abuse and discrimination.

3.148 It defines acceptable standards of behaviour for adults who have responsibility for pupils in the public school system.

3.149 Transportation staff informed us they assumed Policy 701 had been provided to all bus drivers by human resource staff. We were pleased to note in some districts evidence of signed copies of the policy in employee files. This provided us with assurance that employees had read the policy. District staff informed us they went so far as to ensure all drivers of contracted vans or cars also signed a copy of the policy. Some principals informed us they ensure parent volunteer drivers and other drivers of vans for sporting events have also received a copy of the policy. In other districts, however, little or no such evidence existed. In these districts there were no signed copies of Policy 701 in driver files. They were not providing the policy to drivers of **all** school vehicles in a consistent manner. In most cases the policy had not been provided to parent/volunteer drivers. Given the importance of such a policy in the first place, we would encourage the Department to ensure drivers of all school vehicles have read the policy and are reminded of the content on a regular basis.

Recommendation

3.150 We recommended that the Department provide all drivers of student vehicles with Policy 701. The Department should maintain a signed copy in all employee files.

Departmental response

3.151 *The Department will work with the districts to determine the most effective manner to ensure that all drivers of student vehicles are aware of Policy 701.*

Conclusion

3.152 This criterion was partially met. While we were pleased to note numerous efforts made on behalf of the Department to provide adequate training to bus drivers, there are some areas in need of improvement. Behind-the-wheel training for new bus drivers needs to be more formalized and consistently applied in all districts. The Department needs to increase monitoring of bus driver attendance for both refresher courses and first aid re-certification courses.

Driver responsibilities

3.153 Our fourth criterion states:

The Department of Education should have processes in place to ensure drivers of vehicles transporting students are fulfilling their responsibilities as determined by the Pupil Conveyance and Lodging Regulation.

3.154 According to Regulation, there are several responsibilities of school vehicle drivers. Drivers are responsible for the safety of pupils and the efficient and economical operation of the school vehicle. More specifically, some responsibilities include: completing a daily log book, performing a detailed daily pre-trip inspection according to a checklist provided by the Department, following certain accident procedure protocol, and operating the school vehicle within authorized speed limits. Given the importance of each of these responsibilities we expected to find the Department to have systems in place to consistently monitor whether or not these and other responsibilities are being carried out.

3.155 In our interviews with Transportation Managers, Directors of Finance and Administration, and bus drivers, we found little evidence of such monitoring. Further, we noted several instances whereby we feel such monitoring would be beneficial.

Department not monitoring completion of pre-trip inspections

3.156 As an important part of the Department's vehicle maintenance regime, section 14 of the *Pupil Conveyance and Lodging Regulation* requires

in the case of a school vehicle owned by the Province, once daily, before the school vehicle is to be used and before any extra-curricular use in accordance with this Regulation if the school vehicle is to be used to convey persons outside the school district in which the school vehicle is normally used to convey pupils, inspect the school vehicle in accordance with the daily checklist provided by the Department of Transportation and the Department of Education and shall make all necessary adjustments and minor repairs.

3.157 The Department's latest version of the pre-trip inspection requirements was developed in 1998 in co-operation with the Motor Vehicle Branch, union representatives, and departmental staff. Pre-trip inspection requirements include the following components: visual overview, under the hood, in the vehicle, light system, air brakes, exhaust, and log book. Basically the pre-trip inspection is a quick safety inspection to ensure the bus is safe to drive on any given day. As part of the union contract, the Department pays bus drivers for one hour a day to clean their buses and do their pre-trip inspection. The Department informed us they feel the inspection should realistically take about 20-25 minutes. We went through the inspection in detail with a provincial bus driver and found this indeed to be the case.

3.158 While we were grateful for the frankness of the drivers, we were somewhat surprised by the fact that the majority of drivers we spoke with are not performing the pre-trip inspection as detailed on the inspection checklist provided by the Department. Those drivers that told us they were carrying out an inspection told us they were performing a somewhat condensed version. They simply felt there were aspects of the current pre-trip inspection checklist that could be done on a weekly rather than a daily basis. Thus they were doing what "needed to be done in the mornings" in their opinion.

3.159 The Department currently requires drivers to complete a daily logbook. Part of this logbook requires the drivers to sign off that they have done their pre-trip inspection daily. One driver informed us they were indeed signing the form as having done the pre-trip inspection, despite the fact they have not. Drivers we interviewed felt the pre-trip inspection form as it stands is impractical.

3.160 Part of our audit involved accompanying various bus drivers on routes around the Province. In one case we observed a bus driver hop on the bus first thing in the morning, start it up and say "let's go" with no pre-trip inspection whatsoever. Transportation Managers were not surprised when we discussed our findings with them. It appears they have suspected this for quite some time. Departmental staff informed us they continue to remind drivers to do their pre-trip inspections. However, we feel that there has been a lack of corrective action taken on behalf of the Department staff in this regard. In our opinion, knowing that the inspections aren't being done while continuing to have it as both a regulatory requirement and a paid requirement of the union contract, gives the public a false sense of safety.

Recommendations

3.161 We recommended that the Department ensure timely and appropriate corrective action for drivers not performing pre-trip inspections.

3.162 We recommended that the Department consider a review of the current pre-trip inspection checklist. This review should include

consultation with Department of Transportation, Department of Public Safety and bus drivers.***Departmental response***

3.163 *Beginning with the 2001-02 school year, the Department has begun spot checking for compliance with the requirement for drivers to conduct pre-trip inspections. In consultation with districts, these checks will be expanded into a more formalized process. Corrective action will be taken when required.*

3.164 *The inspection program was developed in consultation with the Provincial Driver Examiner and the school bus drivers' union. The content of the current pre-trip inspection program will be reviewed with these parties.*

Poor documentation in employee files regarding incidences

3.165 As discussed earlier, part of our audit involved the review of driver employment files. In doing so, we noted varying standards around the Province for documentation in drivers' files.

3.166 Practice in some districts was to file a copy of each and every complaint against drivers (from parents, administrators, etc.), incidences, notes on performance etc. In others, staff informed us their practice was to never note such incidences on file. In this case, they prefer to deal with them as they occur.

3.167 In the districts that did keep such documentation on file, we were surprised to note the lack of documentation of follow-up provided by the Department. For example, we noted several instances of what we would consider to be of a very serious nature in drivers' files. Some instances included allegations from parents regarding poor driving habits and inappropriate disciplinary techniques displayed by drivers. In most cases we were unable to find any documentation regarding how these issues were dealt with by the Department. We were unable to determine from the files if the complaint was investigated, if the complaint was founded, and, if founded, if the employee was disciplined appropriately.

3.168 On the other hand, in some cases documentation regarding discipline existed but no description of the incident was on file. A lack of detail was provided on what happened on the day in question. In one case we noted that a driver was suspended for a period of time with no pay. While references were made to alcohol impairment and the abandonment of the bus in the suspension notice, we were not able to determine from the file any firm details of the incident in question or if students were aboard. The driver in this case was subsequently paid upon winning a grievance. This decision was based on attendance at acceptable counselling. However, there was no record of counselling on file. We found no evidence that the Department had provided follow up to ensure this driver had indeed attended counselling.

3.169 We noted in yet another file, a driver was suspended during the initial ninety-day probationary period for using foul language and slamming on brakes as a means of disciplining students. This driver was subsequently hired full time and simply transferred to another route. We feel documentation should exist in cases like this as to action taken to correct such behaviour. We found no documentation of continued monitoring of this driver. As well, it is our understanding that it is relatively easy to discharge an employee during the probationary period. Given this, we would have expected to see some other competing documentation on file building support for why this employee was not terminated. We were unable to find any such documentation.

3.170 One note from a Transportation Manager in a particular driver's file was that although they met the requirements to be placed on a casual list of drivers, they were not considered to have the disciplinary control necessary for the transportation of children. This clearly demonstrated to us that at some point in time the Department felt this particular employee was unacceptable to drive a school bus. We were then surprised to note a subsequent letter from a human resource officer (copied to the above noted Transportation Manager) congratulating this employee on receiving a full time position. No documentation existed regarding the discrepancies between these two documents.

3.171 We feel it important for the Department to not only document all incidences and complaints in driver files, but also to include a clear description of actions taken by the Department. We feel this could be imperative in the case of any legal action taken against a driver or the Department.

Recommendation

3.172 We recommended that the Department ensure adequate documentation regarding complaints against bus drivers, including actions taken by the Department.

Departmental response

3.173 *The Department will assist the districts in setting up appropriate mechanisms to ensure that complaints against drivers and subsequent actions are properly documented.*

Protocol varies for suspension of students

3.174 Another important responsibility of drivers is that of enforcing safety rules. Part of this includes posting the rules provided by the Department on the bus, monitoring students' behaviour and documenting actions taken in cases of misbehaviour by students.

3.175 The Department has implemented a system by which bus drivers are issued booklets of student violation tickets. The ticket system is such that a driver notes all behavioural incidences with any given student on a ticket. The first incident noted results in simply a warning by the bus driver; the second means a phone call to the parent (either by the driver or the principal); and the third results in suspension. We were impressed by this system, as it not only provides guidance for drivers in dealing with

disciplinary action, but also sends a consistent message to students. Further it provides useful documentation for the Department.

3.176 We were pleased to note that some districts are actually tracking suspension statistics (both numbers and types of behaviours) with the purpose of identifying and then rectifying problems. Given the serious implications student misbehaviour can lead to in a school vehicle, we applaud these districts in their efforts and encourage others to follow suit.

Recommendation

3.177 We recommended that the Department develop province-wide standards regarding various student behaviour problems and related consequences. Drivers should be provided with adequate training on these standards.

Departmental response

3.178 The Department will review this recommendation with school districts to determine its feasibility and effectiveness.

Inconsistent review of driver accidents

3.179 As discussed previously, accident statistics are not analyzed in any consistent manner. While some Transportation Managers informed us they try to keep a copy of accidents involving a particular driver in their employment files, we found little evidence of such in our review of driver files.

3.180 Departmental Policy 508 states:

Every accident in which a school vehicle or contracted vehicle is involved will be reviewed by an identified Safety Committee to determine the cause of the accident with a view of eliminating preventable accidents. Any driver who has two preventable accidents within a school year will be required to make himself or herself available for a period of instruction after being identified by the Safety Committee.

3.181 The Department informed us the Safety Committee consisted of Transportation Managers, Assistant Transportation Managers, and Directors of Finance and Administration.

3.182 While the districts we visited recalled having such committees in the past to review each accident, this has not been recent practice. In fact, we found no evidence of such an accident review process. In some cases accidents are reviewed with Transportation Managers and drivers on an informal basis. Districts are not formally tracking driver incidences by numbers per year and thus not requiring drivers to make themselves available for a period of instruction as per the above stated policy. As some Transportation Managers are responsible for 125 drivers, we feel a more formalized approach to tracking driver incidences would be beneficial.

Recommendations

3.183 We recommended that the Department analyze accident statistics on a per driver basis to better enable the Department to monitor driver habits.

3.184 We recommended that the Department encourage the use of accident review committees to review all accidents as per policy.

Departmental response

3.185 We agree. These recommendations will be implemented in the fall of 2001.

Conclusion

3.186 This criterion was not met. The Department, in our opinion, fails to ensure drivers are adequately fulfilling their responsibilities. Documentation relating to employment standards or performance is often poor or non-existent. The Department is not ensuring drivers are performing pre-trip inspections as required by Regulation.

Departmental staff responsibilities

3.187 Our fifth criterion states:

The Department should ensure that departmental staff are fulfilling their responsibilities as specified by the Pupil Conveyance and Lodging Regulation.

3.188 The *Pupil Conveyance and Lodging Regulation* clearly stipulates numerous responsibilities for both superintendents and principals in the districts regarding pupil transportation. Superintendents are assigned responsibility for annual performance appraisals on bus drivers, authorizing transportation for students, obtaining driver abstracts, making and enforcing rules, and ensuring the adequate maintenance and condition of vehicles. Principals are assigned responsibility for providing supervision for bus students, designating school grounds as loading zones, and providing for emergency exercises. For this aspect of our audit, we interviewed four superintendents and six principals located in various parts of the Province. The purpose was firstly to determine if these departmental staff members were aware of their regulatory responsibilities and secondly if they were fulfilling them in what we would consider to be an acceptable manner. We were pleased to note the sincere concern regarding students and bus safety displayed by the various principals and superintendents we interviewed around the Province.

Superintendents' responsibilities

3.189 Section 15(4) of the *Pupil Conveyance and Lodging Regulation* states:

The superintendent of the school district shall evaluate the job performance of each driver of a school vehicle that is a bus at least once a year.

Very few performance appraisals on drivers

3.190 As a superintendent is responsible for an Administrative Unit (which could be two or more districts), this could mean 200 or more bus drivers. While none of the superintendents we interviewed were

performing yearly performance appraisals on bus drivers themselves, two informed us they did have some appraisal system in place.

3.191 We should note the Department has not formalized the performance appraisal system to be used. One manager did share with us the form to be used for performance appraisals in their district. It was a general form to be used for all support staff and was in no way driver specific. It would be more appropriate, in our opinion, for the Department to formalize expectations for bus drivers and develop a performance appraisal document that appropriately reflects these expectations.

Recommendations

3.192 We recommended that the Department formalize performance expectations for bus drivers, and establish a standard performance appraisal process. We recommended that the Department ensure these standards are implemented on a province-wide basis.

3.193 We recommended that the Department ensure superintendents are fulfilling their responsibilities concerning performing performance appraisals on drivers as per Regulation.

Departmental response

3.194 *The Department will work with districts to design a performance appraisal system that can be implemented across the Province for bus drivers.*

3.195 *Prior to the beginning of the 2001-02 school year, Superintendents were reminded of their responsibilities with regard to pupil transportation.*

Not all superintendents aware of responsibilities to make and enforce rules

3.196 In the 1980s the Department developed a listing of thirteen safety rules for pupils to be posted on all school buses. As per section 9 of the *Pupil Conveyance and Lodging Regulation*

9(1) The superintendent of the school district shall make and enforce rules for the proper conduct of pupils while embarking onto, travelling in and disembarking from school vehicles

9(2) The superintendent of the school district shall establish detailed procedures which clearly define personnel and their responsibilities with respect to the rules referred to in subsection (1).

3.197 Most superintendents we interviewed were not aware of this responsibility and told us they basically subscribe to “whatever rules the Department has provided us with”. Three of the four superintendents interviewed informed us that principals had been informally assigned the responsibility to enforce these rules, while the fourth placed responsibility with the Transportation Manager.

3.198 A number of departmental staff informed us they felt the original rules are in need of revision. We encouraged the Department to consider the need to revise the student safety rules.

Recommendations

3.199 We recommended that superintendents make and enforce rules for proper conduct as per Regulation. If this is deemed to be not practical, the Regulation should be amended accordingly.

3.200 We recommended that the Superintendent regularly review bus safety rules for their appropriateness and effectiveness and make necessary changes in a timely manner.

Departmental response

3.201 Prior to this audit, the Department and school districts had initiated a process to review the conduct rules and procedures. This review will be completed this year.

Superintendents not involved in maintenance and condition of vehicles

3.202 Section 17 of the *Pupil Conveyance and Lodging Regulation* states:

The superintendent of the school district shall

maintain or cause to be maintained all school vehicles for the school district, other than contracted vehicles, in good mechanical condition in accordance with the manufacturer's manual and the preventative maintenance program as prescribed by the Department of Transportation, and

require owners of contracted vehicles to maintain all contracted vehicles in good mechanical condition in accordance with the manufacturer's manual for each vehicle.

3.203 Superintendents we interviewed have what we would consider to be a very "hands-off" approach in regards to vehicle maintenance. All superintendents informed us "the Department of Transportation looks after this". When questioned further, none could describe to us in any fashion what was in fact being done with regard to maintenance of vehicles. Given the clear assignment of responsibility in Regulation, we would expect superintendents to have some knowledge as to the prescribed maintenance regime and whether or not it was indeed being done.

Recommendation

3.204 We recommended the Department ensure superintendents understand their responsibilities regarding vehicle maintenance and that they are fulfilling these responsibilities.

Departmental response

3.205 The revised *Pupil Transportation Regulation* states that the superintendents are responsible for ensuring that all school vehicles in the school districts are in good mechanical condition. However, per section 48(3) of the Education Act, the superintendent may delegate his/her authority to one of his/her staff. The responsibility for maintenance has

been delegated to the School District Transportation Manager who is responsible for the overall management of pupil transportation service in the school district. The Department will work with school districts to design an accountability model to ensure that the Superintendent has an appropriate level of assurance that maintenance is being properly carried out.

Superintendent has other responsibilities

3.206 As discussed in the first criterion, Regulation stipulates that superintendents may authorize transportation for students living within 2.4 kilometres of their school. Superintendents are also responsible for designating loading points and ensuring driver abstracts are obtained. From our interviews with superintendents there seemed to be a feeling that these responsibilities could be delegated to other staff. It is not possible to delegate responsibility. It would be acceptable for a Superintendent to assign the authority to a staff member to undertake certain tasks, but he or she would have to have some system in place to ensure that the tasks were fulfilled.

Recommendation

3.207 We recommended that all superintendents be reminded of all their responsibilities under Regulation and that they clearly understand that these responsibilities cannot be delegated.

Departmental response

3.208 We agree and superintendents were reminded in September 2001.

Confusion over chain of command

3.209 During our audit we had numerous discussions with staff at the Pupil Transportation Branch level. One area of confusion arising from these discussions was determining whose responsibility it is to ensure superintendents are fulfilling their responsibilities as per Regulation. The Pupil Transportation Manager informed us he is unclear of his role in this matter. We would encourage the Department to clarify this monitoring role to ensure all departmental staff are fulfilling their regulatory responsibilities.

Recommendation

3.210 We recommended that the Department review systems in place to ensure superintendents are fulfilling their responsibilities as described in Regulation.

Departmental response

3.211 Superintendents will be reminded of their responsibilities.

Principals' responsibilities

3.212 In our opinion, the majority of principals interviewed were aware of their responsibilities and for the most part fulfilling them adequately. We were encouraged by the fact that principals appeared to have a good working relationship with their drivers, stating it is something they feel to be critical to bus safety. We note however some areas which we feel are in need of improvement.

Principals not providing supervision at all times for loading and unloading

3.213 Loading and unloading of school vehicles relates to the times when the bus either arrives in the morning and students are exiting the vehicle or leaves in the afternoon and students are entering the vehicle.

3.214 Section 11(1) of the *Pupil Conveyance and Lodging Regulation* states:

The principal of each school shall

maintain a satisfactory plan for the loading and unloading of school vehicles at the school, and

ensure supervision of the loading and unloading of school vehicles at the school.

3.215 The principals we interviewed did maintain what we would consider to be a satisfactory plan for loading and unloading of school vehicles. All principals knew where buses were to come and go and at what times. Most were able to produce a schedule for us.

3.216 While most principals were providing for the supervision of students while loading (leaving in the afternoon) and unloading (arriving in the morning), some were not providing supervision for the loading and unloading of all grades. One high school principal we interviewed stated they only provide supervision in the afternoons when loading takes place. We were informed that unloading in the morning was less hazardous as students quickly exited the bus and went into school. This particular principal felt that disciplinary issues occurred when students were waiting for the bus after school, thus necessitating supervision at this time. Some principals informed us they felt this aspect of Regulation was impractical and unnecessary. We would encourage the Department to evaluate the need for supervision of high school age students while unloading and loading and amend the Regulation if necessary.

3.217 Another principal we interviewed was not providing supervision for the unloading of Kindergarten age students. This particular principal informed us this was due to the fact that kindergarten students are required to come straight into school anyway; thus they wouldn't be "hanging around" the bus area. Again, this is a violation of Regulation and in our opinion, not a safe practice.

Recommendation

3.218 We recommended that the Department ensure supervision for both loading and unloading of all students as per Regulation. If certain aspects of Regulation are deemed impractical, the Regulation should be amended accordingly.

Departmental response

3.219 *The Department will work with school districts to ensure that loading and unloading of school vehicles is properly supervised and complies with the Regulation.*

Poor or non-existent signage

3.220 As discussed earlier in this chapter, national accident statistics show the majority of fatalities occur not in, but around, a bus. Given this, it is important in our opinion to have clearly marked bus areas, where no other vehicles or pupils are permitted.

3.221 Section 11(2) of the *Pupil Conveyance and Lodging Regulation* states:

The principal shall

where school vehicles enter onto school property, designate part of the school grounds as a loading zone to give school vehicles unrestricted passage to the entrance of the school and determine periods of time during which no pupil is permitted in such zone

3.222 A number of school grounds we observed had poor or non-existent signage that would clearly delineate bus zones. The Department was unclear in this regard as to whose responsibility this was. One staff member informed us they thought it was up to the Department of Transportation.

Recommendation

3.223 We recommended that the Department ensure adequate signage at all schools, clearly delineating school-loading zones.

Departmental response

3.224 *The Department will work with school districts to ensure that proper signage is in place at all schools.*

Principals not providing for emergency evacuation exercise two times a year

3.225 While no one would wish for the necessity of its use, emergency evacuations do occur. For this reason, section 12(1) of the *Pupil Conveyance and Lodging Regulation* clearly stipulates it is the responsibility of the principal to:

at the beginning of each school term...conduct a loading and unloading practice exercise, including emergency evacuation, for those pupils being conveyed by school vehicles.

3.226 We have interpreted “each school term” to refer to September and January, as another part of the Regulation requires drivers to “instruct at least twice yearly as to the correct procedures of emergency evacuation in co-operation with the principal of the school.”

3.227 The Department informed us there have been huge improvements in this area. Despite a long-standing requirement to do so, one school principal informed us the first time they ever did emergency evacuation exercises was last year. The Pupil Transportation Branch Manager now sends reminders to all districts to perform these exercises.

3.228 While principals we interviewed are now doing the exercise, the majority are only doing it once a year. In addition, the exercises are done in a staggered fashion, and some students are not provided with the training until well into the year, in some cases as late as March or April. In some cases it appeared that staff feel it is simply a regulatory requirement and didn’t often see the real safety benefits of such training.

Recommendation

3.229 We recommended that the Department ensure emergency evacuation drills are provided twice a year as per Regulation.

Departmental response

3.230 *The refresher course for school bus drivers for the school year 2000-2001 included a reminder of the proper way to conduct an emergency evacuation exercise. The Department received confirmation from school districts' officials that an emergency evacuation exercise was conducted for all students during the school year 2000-2001. A monitoring process will be developed to ensure that evacuation drills are conducted in accordance with Regulations.*

Conclusion

3.231 This criterion was not met. The Department does not have adequate systems in place to ensure departmental staff are fulfilling their responsibilities as per Regulation. The Department is not monitoring staff that have been assigned specific responsibilities under the Regulation. We feel there is a lack of clarification and understanding of roles and responsibilities, particularly in the case of superintendents.

Ensuring safe condition of vehicles

3.232 Our sixth criterion states:

The Department of Education should have systems and practices in place that ensure the safe condition of vehicles transporting students.

3.233 Safe vehicles help contribute to the safe transportation of pupils. Obviously, an adequate maintenance program is an important part of ensuring safe vehicles. The Department informed us the Department of Transportation (DOT) provides maintenance for all province-owned school vehicles. There are approximately 1,200 of these vehicles, of which 40% were ten years or older in the year 2000. There are a further 66 contracted buses in the Province. The owners of these buses are not required to have servicing performed at DOT garages, but are required to have valid Motor Vehicle Inspections. As discussed earlier, it is the responsibility of the Superintendent to maintain or cause to be maintained all school vehicles and to require owners of contracted vehicles to keep them in good mechanical condition.

Lack of monitoring of completion of vehicle maintenance

3.234 There are three components regarding maintenance standards. First, statute requires a Motor Vehicle Inspection be performed every six months. Secondly, there is a preventative maintenance program in place for all school buses serviced at DOT. Thirdly, maintenance is performed based on items bus drivers have reported in their logbooks. For instance, if a bus driver noted a rattling noise in the engine, the driver would note this in their logbook. As copies of logbooks are sent to DOT on a weekly basis, the garage staff would book appointments to perform the required work.

3.235 During our audit, we requested a report from DOT that detailed all overdue Motor Vehicle Inspections and preventative maintenance checks as of the date requested. Though this was not difficult for us to obtain, we

were surprised to determine that the Department of Education itself has never requested this information. We noted instances whereby Motor Vehicle Inspections and preventative maintenance checks were reported as being overdue. While we do not expect the departmental staff to request and review a report on every single vehicle serviced, we feel they should conduct regular reviews to ensure the contracted work is being done. For any vehicles showing up as overdue for servicing, the Department of Education should investigate the reason.

Recommendations

3.236 We recommended that the Department monitor driver compliance with maintenance schedules as provided by DOT.

3.237 We recommended that the Department become familiar with reports on vehicle maintenance available from DOT vehicle maintenance. The Department should review appropriate reports on a regular basis.

Departmental response

3.238 *The Department will develop a formalized and frequent mechanism for receiving reports from DOT.*

No formal policies regarding when a vehicle is out of service

3.239 Drivers we interviewed were often confused over when not to drive a vehicle due to a given malfunction. For instance drivers informed us of numerous mechanical deficiencies in the current crossing arm. Due to its construction and exposure to the elements it is often malfunctioning. The Department in this case has provided no clear guidelines on whether or not to drive a vehicle with a malfunctioning crossing arm. We suggested the Department formalize conditions by which a bus is considered to be disabled and ensure all staff are made aware of such.

Recommendation

3.240 We recommended that the Department formalize policy regarding when a vehicle is considered to be out of service. The Department should ensure that all drivers are made aware of such policy and it is consistently applied.

Departmental response

3.241 *The Department agrees with the Auditor General and will formalize a policy in consultation with the school districts and the Vehicle Management Agency.*

No policy on garbage can placement on buses

3.242 During our audit we had the opportunity to walk aboard several buses in the Province. While we were not formally auditing the condition of buses, we did observe some safety issues that we felt were in need of attention. One of these was the placement of garbage cans. We often noted large metal garbage cans (in most cases overflowing with garbage) placed in the middle of the aisle close to the bus driver. In all but one case, this garbage can was not secured in any way. In discussions with the Department on this issue, staff admitted to us that while they have no policy, they have been trying to come up with a solution to this problem.

Recommendation

3.243 We recommended that the Department formalize policy regarding placement of garbage cans on buses. The Department should ensure that all drivers are made aware of such policy and it is consistently applied.

Departmental response

3.244 *The Department agrees that the garbage container must be properly secure, and corrective measures will be taken.*

Inconsistent application of communication devices

3.245 The Department does not currently mandate the installation of radio devices, cell phones or other modes of communication. It is up to the individual districts to decide whether they need these devices or not, and subsequently to pay for them. We noted the frequency of installation of communication devices varied around the Province.

3.246 Three Administration Unit Transportation Managers informed us that the majority of their buses are equipped with communication devices. They feel this to be an important feature for both every day and emergency situations. Drivers are able to communicate with the district office if a bus is broken down, a student is ill, the bus is late, etc. The Department informed us they do try to promote the usage of communication devices in special needs buses and rural routes.

3.247 Another Transportation Manager informed us very few of their buses had any form of communication devices, despite the fact that the majority of this district's routes were rural. Some district staff informed us this decision was due solely to the lack of funding and not need. One driver of a rural route informed us of an incident whereby they had to walk a busload of kindergarten children in the winter to a house down the road in order to use the phone to obtain assistance with a broken down bus. This driver shared with us the dilemma over leaving the children alone on the bus versus walking fifty children along a road for help.

Recommendation

3.248 We recommended that the Department evaluate the cost/benefit of radio devices on buses. Safety equipment purchases should be applied consistently on a province-wide basis.

Departmental response

3.249 *Currently, some school districts are using cell phones on school buses while others are using two-way radios. The Department will evaluate the cost/benefit of installing radio devices on all buses.*

Lack of inspection**No formal agreement with Commercial Vehicle Enforcement**

3.250 A number of years ago, the Department initiated a working relationship with Commercial Vehicle Enforcement in order to ensure that contracted vehicles were subject to an inspection as well as ensuring that the Department's fleet was inspected by an independent body from time to time. This seemed to be a valuable practice to ensure vehicle safety. Originally the target was 10% of vehicles, approximately 150 per year. At best Commercial Vehicle Enforcement is currently inspecting between 40-50 buses a year. Despite the fact the original intent of the inspection process was mainly to ensure inspection of contracted buses, in the past

two years only two contracted buses have been inspected. Both of these buses were inspected in 1999 and both were placed out of service.

3.251 Departmental officials informed us that to date no formal agreement has been signed. In our opinion, such an agreement should clearly stipulate the number of vehicles in each category (contracted or Province owned) to be inspected yearly, and the types of inspections to be performed. The Department should ensure appropriate and adequate coverage around the Province.

Recommendation

3.252 We recommended that the Department obtain formal agreement from the Department of Public Safety regarding the number and types of random inspections on vehicles. If this is not possible, the Department should seek alternative arrangements for the service.

Departmental response

3.253 A proposal to formalize the current verbal agreement was initiated prior to this audit and shared with the Department of Public Safety. This agreement will be implemented during the school year 2001-2002.

**Lack of corrective action
taken on behalf of
Department**

3.254 As part of our audit, we obtained Commercial Vehicle inspections for 1999 and 2000 and analyzed these findings in detail. For the year 1999 we determined that 19 of the 43 buses stopped by Commercial Vehicle Enforcement were placed out of service and taken off the road. In 2000, there was improvement with 9 out of 46 vehicles stopped being placed out of service. The most common deficiencies noted were brake problems, indicator lights not working, emergency exit doors being jammed and fire extinguishers being outdated.

3.255 We were disappointed to note that despite poor inspection results, the Department took no action to increase the number of vehicles inspected by Commercial Vehicle Enforcement or to seek alternate inspection methods. Perhaps more importantly, the Department has not, in our opinion, taken appropriate steps to determine both the causes and solutions for the high number of buses placed out of service upon inspection.

3.256 We feel that the Department should review and respond to inspection findings in a timely fashion. The purpose would not only be to identify causal factors for poor inspections (such as absence of pre-trip inspections or problems with servicing), but to ensure adequate follow up for vehicles placed out of service. The Department currently requires no follow up on vehicles placed out of service. It informed us they assume the necessary work has been done to bring these vehicles up to standard. We would suggest the Department take a more active role by monitoring the work subsequently done on vehicles placed out of service.

Recommendations

3.257 We recommended that the Department develop and implement a formal process for responding to Commercial Vehicle Enforcement findings, not only for those vehicles that have been placed out of service, but for correcting the shortcomings in the system that such findings may expose.

3.258 We recommended that the Department ensure adequate coverage of inspection of all school vehicles.

Departmental response

3.259 *It is agreed that both Departments' officials and the Vehicle Management Agency will review the content of the inspections and corrective measures will be taken, if necessary.*

Lack of monitoring of maintenance of contracted buses

3.260 The Department currently has 66 contracted buses in the Province. Contracts for service are signed and valid for three years. Departmental officials informed us they expect owners of contracted buses to maintain the buses to the same degree as the provincial fleet. They are not required, however, to have servicing done at the provincial garage and may go to any private vendor they wish.

3.261 As discussed earlier, the Regulation states that the Superintendent of each school district shall

require owners of contracted vehicles to maintain all contracted vehicles in good mechanical condition in accordance with the manufacturer's manual for each vehicle.

3.262 Superintendents we interviewed had no knowledge of their responsibilities regarding maintenance of contracted buses. Nor does the Department monitor the adequacy or timeliness of maintenance on contracted buses in any fashion. Department officials informed us that similar to provincial bus drivers, drivers of contracted buses are provided with a copy of the daily inspection check list. They are however not provided with a log book whereby they would sign off as to whether it has been completed or not. Despite the fact that provincially owned buses are required to follow a rigorous maintenance regime as prescribed by DOT, Department officials informed us they do not know what maintenance is done on contracted buses.

Recommendation

3.263 We recommended the Department monitor the maintenance and condition of contracted buses.

Departmental response

3.264 *It is clearly stated in the contracted conveyance agreement between the school districts and the contractors that contracted school buses must respect and meet all federal, provincial and municipal laws and regulations pertaining to the use of a motor vehicle. A formal monitoring process will be developed to ensure compliance.*

Conclusion

3.265 This criterion was not met. While we do not dispute the fact that the Department has a program for maintenance for province-owned

vehicles, it does little to ensure the maintenance has been carried out as required. The Department has no program in place for monitoring maintenance of contracted vehicles. The Department has not ensured adequate inspection coverage. While the Department hoped to have 150 vehicles a year inspected, only 40-50 are being done. The Department has not provided for timely and corrective action for the high percentage of buses that have been placed out of service by Commercial Vehicle Enforcement.

Safety training for students

3.266 Our seventh criterion states:

Students should be adequately trained on safety issues.

3.267 Given the fact that students play a vital role in their own safety, adequate training on safety issues is imperative in our opinion. It is important to have programs that provide children with information that will keep them safe both in and around a bus. Further, the Department should not only promote every day safety but emergency procedures as well. It is not only important to educate students and educators, but parents as well so that they might reinforce such training.

3.268 We noted that safety training provided to students varies greatly around the Province. One part of the Province may have actual safety training on a bus, watch a bus safety video, and be provided with take home safety material. Another part of the Province may have nothing other than a routine emergency evacuation exercise once a year.

3.269 The Department has developed training material for students in Kindergarten to grade 5. The material consists of slide presentations, take home safety brochures and, in some districts, a bus safety video. The Department has provided no training material for Grades 6-12.

3.270 Despite the fact the Department developed bus safety training material, not all districts are using it. It is up to each individual school, or in some cases the districts, to decide the quantity, content, and frequency of such training.

Recommendations

3.271 We recommended that the Department ensure province-wide standards with respect to the quantity and content of training provided to students.

3.272 We recommended that the Department provide appropriate bus safety training for middle and high school age students. The material should emphasize the role that these older children play in helping younger children follow the rules and assisting in emergency situations.

3.273 We recommended that the Department consider a requirement to include a “hands-on” training element to its program.

This would include an actual bus demonstration of lights, signals, crossing arm, stop arm, and emergency exits.

Departmental response

3.274 *The Department has two instructional programs for students. The target audience for “The First Rider’s Program” is children entering kindergarten and parents or tutors of those children. The second program is for students from Kindergarten to Grade 5 and focuses on the safety rules around school buses. The Department has also incorporated in its web site a brochure that explains the safety rules around school buses. This brochure is accessible to all school personnel and parents. A poster listing the basic rules around school buses has been produced and distributed to all middle and high schools. The Department of Education, in collaboration with the Department of Transportation promotes safety around school buses through television advertisement. In addition, videos that address safety around school buses are available to school districts.*

3.275 *The Department realizes that improvements can always be made. Therefore, in collaboration with the school districts, the Department will update and/or add instructional materials if required and develop a monitoring process to ensure that instruction is being provided.*

Training material provided does not reflect where the risks are

3.276 The Department’s training material includes a brochure and overheads that address some bus safety issues. While we were pleased to see this effort, we feel this material could be improved upon. The material provided does emphasize some safety issues. Missing, in our opinion, is information that clearly details where the major risks are. When we began our audit, we were surprised to learn that most injuries occur outside and around a bus rather than inside while riding on a bus. Knowing this fact alone could significantly change the children’s view of safety or the emphasis parents place on certain aspects of bus safety and behaviour.

3.277 We feel that information on where the significant risks are and how to mitigate these risks should be provided in the current safety material. Some examples might be not wearing clothing with drawstrings, not stopping outside the bus to pick up dropped items, or not pushing children around a bus.

Recommendation

3.278 We recommended that the Department should clearly discuss the major risks of bus safety in its training material provided to students. The Department should consider the use of national accident statistics as a method of informing both children and parents where the risks are.

Departmental response

3.279 *The Department will review all instructional material to ensure that information on major risks is identified.*

Lack of emergency response training

3.280 Some bus drivers we interviewed informed us of their concerns regarding lack of emergency response training for students. They have a fear that, given a situation in which a bus driver is injured, students will

not be prepared. While it is not a situation anyone likes to think about, bus drivers informed us it could happen and students (especially the young ones) wouldn't know what to do. Student training that is provided does not include protocol for such a situation.

3.281 We were pleased to note that one bus driver we interviewed had taken the initiative to teach some students travelling on his bus how to use the radio and contact help if needed.

Recommendation

3.282 We recommended that student training include training on protocol in emergency situations.

Departmental response

3.283 The Department has added a protocol on emergency situations to its current instructions.

Importance of parental involvement in safety education

3.284 Some district staff informed us they provide specific bus safety training for Kindergarten students. This training takes place during an orientation day (which parents attend) for new students and involves an actual bus ride. We would encourage the Department to ensure this practice is consistently applied throughout the Province. Departmental staff informed us safety material is provided to parents of kindergarten and grades 1-5 students. We applaud the Department in this effort.

Conclusion

3.285 This criterion was partially met. While the Department has developed some safety training material for students, its usage varies greatly around the Province. The Department is not ensuring that all bus students receive adequate safety training.

Alternate forms of transportation

3.286 As previously discussed, our audit objective was:

To determine if the Department of Education has adequate systems and practices in place for the safe transportation of pupils, including fulfilling its statutory and regulatory responsibilities.

3.287 We noted during our audit the Department not only provides transportation to students via regular school buses, but also utilizes the services of city transit and parent volunteer drivers to transport students to and from school or extra-curricular activities. As well, several student councils in the Province own vehicles for the purpose of pupil transportation. Because our audit focussed on the safe transportation of students (regardless of the type of vehicle used) we felt it necessary to look at these alternate types of vehicles used to transport the students of our Province.

City transit transportation

3.288 While the majority of students in the Province travel on either provincially owned or contracted buses and vehicles, approximately 3,000 are transported by city transit buses. These city buses are in Saint John, Fredericton, and Moncton. Children transported on city transit buses range from Grade 6-12.

3.289 Children are bussed on city transit vehicles based on their geographical location. If you live in a certain area of the city, this mode of transportation is all that is made available to you. The Department pays in advance for each student, and each student then receives a bus pass that he or she may use all year long.

3.290 While we feel it is not our role to comment on whether or not the Department should or should not use this mode of transportation, there are some safety issues that have come to our attention that we feel are noteworthy. The city transit vehicle is not the same as a “big yellow bus.” It is obviously a different type of transportation offering a different level of service to certain segments of the pupil population.

Inconsistent contract requirements between cities/ incidence of non-compliance

3.291 All school buses are required to be clearly marked. They are all painted yellow, and have signage clearly denoting the fact that this vehicle is a school bus, and is thus transporting students. Motorists are generally very aware of this fact. However, during our review of the contracts the Department has with various city transit agencies, we noted that only two of the three contracts require buses to display signage denoting the fact to motorists that there are students exiting the bus. Of these two, only one city is actually complying.

Recommendations

3.292 We recommended that the Department ensure consistency between cities regarding contract requirements as it relates to safety issues.

3.293 We recommended that the Department ensure that all city transit buses transporting students display appropriate signage denoting the fact that students are loading and unloading from the vehicle.

3.294 We recommended that the Department monitor and ensure contract compliance.

Departmental response

3.295 *The Department has contracted agreements with 3 cities (Moncton, Saint John and Fredericton) operating a city transit system. As these contracts are renewed, the Department will implement these recommendations.*

No review of performance by Department

3.296 We were pleased to note that all three contracts we reviewed state the Department is to conduct a review of performance utilizing given criteria at the end of each school year. The contracts state the purpose of this review is not to deal with operational issues, but to review the overall performance of city transit with the intent to make improvements to the system.

3.297 However, Department officials inform us this process is sporadic and inconsistent. District staff meet yearly to discuss operational issues, but not performance as described in the contracts. District staff would

only meet with city transit officials in this regard if a given problem arose. They are not using the criteria stated in the contract as a basis for evaluation. We would recommend that the Department fulfil its own responsibility under the contract, by evaluating performance of city transit on a yearly basis based on the stated criteria.

Recommendation

3.298 We recommended that the Department formally review and evaluate the performance of city transit based on appropriate, consistent criteria.

Departmental response

3.299 *In consultation with school districts, the Department will develop a formal review and evaluation process.*

Student council owned vehicles

3.300 During our audit it came to our attention that various schools in the Province have student council owned vehicles. These are vans or cars that the student councils own and operate for the purpose of transporting students to and from various school related activities. In some cases local service organizations have donated vehicles, and in some cases student council has raised the funds and purchased them. Both new and used vehicles can be acquired in this fashion. We noted one vehicle was as old as a 1988 model year.

3.301 During our discussions with Department officials we discovered some confusion over responsibility for these vehicles. Officials we interviewed admitted to us concern over this area. In some respects, no one is sure who would be held accountable if anything were to go wrong. Department officials we interviewed were unable to determine for us if student councils are a part of the Department of Education or a separate entity. We would encourage the Department to verify this issue. If student councils are indeed a part of the Department of Education, any vehicles owned and operated by the student council would in reality be the responsibility of the Department.

3.302 In keeping with safety concerns, the Department developed a document called "Provincial Guidelines—Student Council Vehicles". While not strict policy, these guidelines were forwarded to all principals for their use. The guidebook contains various suggestions for acquiring vehicles, registration/licensing, vehicle operation and maintenance, driver qualifications and training, liability and insurance coverage.

3.303 While we were pleased in our audit to note these guidelines were developed, we found that the Department does not in any way ensure these guidelines are indeed implemented.

3.304 The Department does not monitor the condition or maintenance of these vehicles. Motor vehicle inspection, maintenance, replacement of tires, etc. is left up to the student council or an assigned teacher. Though we did not audit the servicing aspect of these vehicles, most principals informed us that a Physical Education teacher or another assigned teacher

usually “looks after that”. We were told that teachers and principals are signing the vehicle registration.

3.305 The *Motor Vehicle Act* requires drivers of vans of more than ten passengers to obtain a class 4 license. For all other passenger vans and cars, a regular class 5 license is required. The Department does not monitor the validity of licenses of drivers of these vehicles. They informed us it would be up to the individual school principal to do this. One principal we spoke with informed us they had three licensed drivers and was indeed able to produce copies of valid licenses kept in their files. Another principal we spoke to wasn’t clear on who was authorized to drive their student council owned vehicles, or what licenses they were required to have.

3.306 The guidelines produced by the Department state that drivers must possess basic defensive driving skills and shall be trained in emergency first aid. While the Department informed us it encourages drivers of student council vehicles to obtain some training in these areas, it is not mandatory. While we did not audit this aspect of training, the Department admitted to us they are “quite sure” no training has been done. The Department informed us they would like to consider making a defensive driver training course mandatory, but again haven’t brought this to fruition yet.

Recommendations

3.307 We recommended that the Department establish responsibility for student council owned vehicles.

3.308 We recommended that the Department ensure drivers of student council owned vehicles are following the guidelines provided by the Department.

3.309 We recommended that the Department monitor the number, types, age, and condition of student council owned vehicles to ensure the safety of this mode of transportation.

3.310 We recommended that the Department consider an appropriate form of driver training for drivers of student council owned vehicles.

Departmental response

3.311 In February 2000, the Department published a series of guidelines for the use of student council vehicles. The guidelines were the results of discussions with two ad-hoc committees (English and French) composed of school principals, school districts student services coordinators, physical education teachers and department staff. Copies of the guidelines were provided to all middle and high schools across the Province. Following the publication of those guidelines and feedback the Department is now developing a formal policy on these issues. This policy will be finalized during the 2001-2002 school year and will establish

minimum training for the drivers of those vehicles and set safety standards.

Parent and volunteer owned vehicles

3.312 Given the fiscal constraints of Government today, the use of parent and volunteer owned vehicles to transport students to and from school has increased over the last number of years. The Department informs us that parents and volunteers are invaluable in transporting students to and from various field trips and sporting activities.

3.313 Similarly to student council owned vehicles, the Department developed some guidelines for parent and volunteer owned vehicles. The guidelines were meant to assist school administrators in this endeavour. Guidelines are provided on qualifications of drivers, drivers license requirements, basic safety rules, pre-trip inspection check list, etc.

3.314 These guidelines are on a page at the back of the student council owned vehicle guidelines. Because of this, principals we interviewed were often not aware of these particular guidelines. Principals from schools with no student council owned vehicles informed us they filed the document in a drawer, thinking it was not pertinent to them. They were not aware of the guidelines available for parent/volunteer drivers. While we do not wish to deter volunteer drivers from assisting in this manner, we would encourage the Department to provide drivers with the guidelines and a copy of Policy 701 (Pupil Protection Policy).

Recommendations

3.315 We recommended that the Department ensure all parent/volunteer drivers are provided with Policy 701.

3.316 We recommended that the Department ensure parent/volunteer drivers are provided with guidelines as developed by the Department.

Departmental response

3.317 A process will be developed to ensure parents/volunteers are made aware of Policy 701.

3.318 Guidelines for parent/volunteer drivers will be included in the formal policy on the use of vehicles for student council activities scheduled for release during the 2001-02 school year.

Chapter 4

Department of Finance

Early Retirement Program

Contents

Background	71
Scope	72
Results in brief	73
Characteristics of a good decision-making process	73
Problem identification	75
Assignment of responsibility	77
Search for alternatives	78
Analyzing and evaluating alternatives	78
Authorization	82
Establishing deadlines	84

Department of Finance

Early Retirement Program

Background

4.1 The Voluntary Early Retirement Window (VERW) is a major government program that involves a significant expenditure by the Province. VERW is a high profile early retirement initiative that has drawn a lot of interest from the members of the Legislative Assembly, the media and the public. We became interested in conducting an audit of the decision to introduce this program when the significance of the program cost became known.

4.2 When government makes a decision of this magnitude, it is important that a process is followed that ensures a sound decision is made, and that decision-makers have access to the best information possible in order to make a fully-informed choice.

4.3 The retirement program was offered to persons in Part 1 of the public service (government departments and specified agencies). Employees with a minimum of five years of pensionable service who would be 55 years of age on or before 31 March 2002 were eligible for the program. The benefits offered as part of the program included the following:

- retirement as early as 55 years of age with an unreduced pension (normally there is a penalty when one retires before the age of 60 years); and
- receipt of pension benefits consistent with having worked up to three additional years.

4.4 The program was announced on 25 January 2000 and employees had until 15 March 2000 to decide if they wished to participate. The program was designed so the decision to participate in the retirement program was totally that of the employees. It also ensured that the employees would decide on when their retirements would commence, within a two-year period. Government held no control over either of these decisions.

4.5 The Province's 1999-2000 financial statements reflected a VERW expense of \$54.6 million. In addition, the public service superannuation plan will absorb a cost of \$10 million to \$15.3 million. The amount

charged to the superannuation plan will ultimately become an expense to the Province as it is amortized, in future years, as a component of the annual pension cost.

4.6 The total cost of \$64.6 million to \$69.9 million was estimated by an actuary hired by the Province. The actuary provided information to government that divided the cost into three components, corresponding to the benefits offered under the retirement plan.

- Under normal circumstances, when one retires between the ages of 55 and 60 there is a reduction in the amount of the monthly pension to be paid. For every year before the age of 60 that one retires, there is a 3% reduction in the pension. Waiving this reduction under the program resulted in a cost to the Province of \$24.1 million.
- Qualifying retirees were offered credit for having worked up to three extra years if they chose to participate in the program. The cost of this component of the program was \$30.5 million.
- The cost of making pension payments to retirees for a longer period than originally assumed represented a cost of \$10 million to \$15.3 million. According to the actuary, the retirees who took advantage of the VERW retired on average 1.6 to 2.1 years earlier than they would have under normal conditions.

4.7 When VERW was in the planning stages, the anticipated number of participating retirees was 1,000. The foregoing figures are the estimated cost for the actual number of retirees (1,335).

4.8 VERW is one of a number of initiatives introduced by government to address human resources issues. The completion of the program/service review was expected to result in a smaller and more efficient government. The re-deployment program and the hiring freeze were also expected to assist in the restructuring and help accommodate the transition. The final impact on the human resources and the expenditures of the Province will depend upon the results of all of these programs.

Scope

4.9 This audit was an examination of the decision-making process employed by government in developing a major human resources initiative. The audit objective was:

To examine the decision-making process and determine if proper steps were taken in making the decision to introduce the early retirement program.

4.10 This is not the first time we have examined the processes underlying major decisions by government. For example, in 1999 we examined the decision-making process leading to the merger of Extra-Mural Hospital with the regional hospital corporations and the process followed in deciding to build the Fredericton-Moncton highway.

4.11 The specific focus was on the decision to adopt VERW as the solution to the problems identified by government. The program implementation and the subsequent evaluation of its effectiveness were not part of this audit. And we were not examining the decision-making process in light of events taking place subsequent to the announcement of the program. This is an area to be examined as part of the evaluation of the success of the program rather than as part of the decision-making process.

4.12 This audit was not intended in any way to pass judgement on the final decision made by government. This is not our role and we want to be clear that this was not our objective. Our role in this audit was to examine the process that was followed that led to the decisions that were made.

Results in brief

4.13 The process leading to the decision to proceed with the \$64.6 million to \$69.9 million voluntary early retirement program was examined. We cannot conclude that all the proper steps were taken in conducting the decision-making process. This result is reached for two reasons.

4.14 We were unable to establish that portions of the process had taken place. For example, the identification of the alternatives and the analysis of the alternatives could not be examined in the necessary detail because much of the process was achieved through meetings. The information needed to assess the process was not available to us. This left us with some serious concerns about the process, because of questions we could not answer to our satisfaction.

4.15 Another difficulty in the decision-making process was the inability to review a key document. Decisions by the Board of Management require the preparation of specific information in an approved format. Although we have been assured a document was prepared, we were unable to examine the document to establish that all necessary information was presented to the Board of Management for their review.

Characteristics of a good decision-making process

4.16 Following is a description of what we consider to be a good decision-making process. It follows a logical path that should result in the consideration of the relevant issues in arriving at a conclusion.

- 1. The identification of a problem(s) that is the underlying reason for the need for a decision-making process.* The foundation for a good decision-making process is established through the clear identification of the problem to be solved. Without a clearly identified problem, the resulting decision can be misdirected. As a result, even a solid decision-making process could turn out to be ineffective.
- 2. The assignment of responsibility to participants in the decision-making process.* It is essential that there be no doubt in

the minds of the participants as to who holds the responsibility for creating the information to be used as the basis for a decision. This sets up a process that is organized and controllable. Likewise, the party responsible for crafting the possible solutions and making the final recommendation should be clearly identified. Accountability is enhanced when everyone clearly understands their role in the decision-making process.

3. *A search for possible alternative solutions.* Once the problem has been defined and the responsibilities have been assigned, it is appropriate to begin the search for alternatives. The importance of this step is that it identifies various courses of action that will result in the problem being addressed and objectives being met. Failing to identify alternatives limits the success of a process and can mean missed opportunities. The best alternative is not chosen during this stage. The goal is simply to identify the alternatives.
4. *An analysis and evaluation of alternatives using various methods.* The fourth step in the decision-making process is selecting a proposed solution to the problem. Judgement, experience and intuition are to be used as tools in conducting the analysis and in evaluating the alternatives. This is the opportunity to be certain that all relevant facts are made available to decision-makers in ensuring the best decision is made. It is at this stage that one alternative will be identified as the preferred course of action, and this will be supported by quantitative and qualitative analysis.
5. *Authorization of the final result.* A decision is not final until all parties to the authorization process have reviewed the recommended course of action and approved the decision in the appropriate manner. It is important to follow the established process because it protects against the risks associated with unauthorized decisions.
6. *Linking the process to time goals or deadlines.* To ensure a timely and organized completion of a project or assignment, it is important that a commitment be made to an overall deadline. In addition to the deadline, it is also useful to establish interim benchmarks, which can be used to serve notice of progress in relation to the plan and to identify situations where the plan is not being achieved.

4.17 Our audit criteria were established using this process.

4.18 This process follows closely the requirements of the government's *Procedures Manual for Executive Council Documents*. This manual sets out the requirements for preparing and routing memoranda to the Executive Council. The manual includes statements that support an organized decision-making process.

Problem identification

4.19 *New Vision New Brunswick* was issued by Bernard Lord and the Progressive Conservative Party in spring of 1999. This plan to “change how government works” included some information relevant to the problem. In this document a commitment was made for

Building a stronger, professional civil service by recruiting and promoting new, young managers and ensuring opportunities for training and advancement are in place for all civil servants.

4.20 Later in the document the point was made that

young people are leaving our Province because there aren't enough jobs.

4.21 The Department identified a number of issues that composed the problems at hand. During our audit, they pointed out that during the fall of 1999 there were a number of initiatives in place that, on their own, were not going to achieve the restructuring objectives of government. At that time the three initiatives were:

- the redeployment program (ongoing);
- the program/service review (26 August 1999); and
- the hiring freeze (14 October 1999).

4.22 We were informed that the specific problems to be solved had not been documented as one statement when they were presented and discussed at the various meetings held by the participants. Rather, we were informed they were contained in a series of documents including those prepared in conjunction with the initiatives explained above. During the course of our work the Department did assemble the individual problems into a consolidated format and they presented this to us in writing.

1. The government was aware of the aging of the work force and made a commitment to rejuvenating the public service by providing opportunities for current civil servants and bringing in new staff.

2. The Program/Service Review (PSR) was implemented to review over 600 government services. The PSR was to:

- *address the structural fiscal imbalance that the New Brunswick government was facing and*
- *focus the government's services on clear public priorities.*

3. Rejuvenation could be jeopardized by PSR and aging of the workforce could be exacerbated if civil servants in the middle of their careers were to be laid off. The government wanted a planned process in place to ensure the above issues were properly managed.

4.23 In addition to identifying the problem(s) to be solved in any decision-making process, it is important to provide some focus by identifying the objectives of the decision. The objectives allow the problem to be stated in terms of what should be accomplished to adequately address the problem. Similar to the situation encountered with the identification of the goals, the objectives were not documented during the decision-making process.

4.24 We were informed, however, that the following objectives were chosen with the involvement of the Board of Management, the Office of the Comptroller and the Corporate Human Resources Management and Budget and Financial Management divisions of the Department of Finance.

- to minimize the impact of PSR on employees;
- to free up some positions to allow middle management and younger people to be promoted;
- to rejuvenate the public service; and
- to help reduce the cost and size of government.

4.25 While we were pleased to learn that the Department had identified three problems to be solved, and had established four objectives, we have some observations to make.

4.26 With respect to the first problem, we would have expected to see documentation demonstrating the lack of opportunity for existing staff and the difficulty of bringing in new staff. It would have been helpful to the decision-makers to understand how significant this problem was. In other words, a major problem here could suggest an expensive solution whereas a minor one would not. We were told by the Department that, "The identification of the problem was a logical conclusion based on the Part 1 public sector demographics as well as on information from external sources, which indicated demographic trends which were very similar to ours."

4.27 We were not able to see any analysis that made the connection between the aging of the work force and the inability to hire new staff and promote existing staff. This obviously is a significant cause and effect relationship. But could it be that other factors such as salary ranges or working conditions were having an impact on whether people wanted to work for the government and how long they were prepared to stay? Without supporting documentation being available for our review it was not possible to conclude on these matters.

4.28 The problem associated with the PSR was related to the government embarking on a major initiative to review over 600 services and a reasonable outcome would be a loss of jobs. While government needed a strategy to deal with these displaced employees, the magnitude

was not clear. Nor was it clear how this related to the “structural fiscal imbalance”.

4.29 The third problem identified by the Department was developed by concluding that lay-offs would not be an acceptable alternative. Again, without documented analysis it was not possible to fully appreciate the problems this alternative would create.

4.30 During our audit we were informed that information relating to the problems was presented and discussed at the various meetings held by the participants.

4.31 As for objectives, we were pleased to see that the government had some, but they were lacking in specific measurable targets. For instance, general targets like “minimize”, “free up some positions”, “rejuvenate” and “help reduce” pose two problems. In the first instance they are not really susceptible to meaningful measurement, and secondly they do not convey the message to decision-makers as to how significant a particular issue might be. For instance there could be a big difference between a solution to “free up 100 positions”, and one to “free up 1,000 positions.”

Recommendations

4.32 Problems and objectives should be formally recognized rather than being discussed at meetings without being documented. This provides more discipline to the process.

4.33 Problems should be accepted by government and assigned to staff for resolution only after they have been validated by the results of documented research.

4.34 Measurable performance targets should be set to facilitate the measurement of the success of any decision.

Assignment of responsibility

4.35 We were informed that government assigned the responsibility to the Department of Finance to co-ordinate the work needed to prepare a recommendation to the Board of Management. The recommendation was to establish the action necessary to deal with the problems set out under the problem identification section. While there was no documented evidence to support the assignment of this work to the Department of Finance, we did note in our discussions with senior departmental staff that there appeared to be a clear understanding that it was their responsibility. However, it was not clear to us what was meant by the term “government” in this context and exactly who was involved in assigning the work to the Department.

Search for alternatives

4.36 The Department approached the identification of the alternative courses of action in two stages.

4.37 The first stage was the identification of alternatives to address the three stated problems. The Department indicated that the three alternatives considered were layoffs, an early retirement program and attrition.

4.38 The Department explained that this work was done through meetings and there was no documentation of the process.

4.39 Subsequent to the review of these alternatives, we were told that government decided that early retirement was the alternative that would be chosen for further development.

Recommendation

4.40 **Alternatives should be identified and described in writing as it promotes a better understanding by participants and potentially a better conclusion by decision-makers.**

Analyzing and evaluating alternatives

4.41 Most of the work to address the problems, including the alternative identification and analysis process, was done during the period from November 1999 to January 2000.

4.42 As mentioned earlier, the primary alternatives identified by the Department as possible solutions to the three problems included layoffs, normal attrition and an early retirement program. A number of alternatives were later identified and examined under the early retirement option.

Analysis of the primary alternatives

4.43 The analysis and evaluation of the primary alternatives was done through meetings involving the staff of the Department of Finance and the Office of the Comptroller. They concluded that a form of an early retirement program should be selected as the recommended alternative.

4.44 Staff of the Department provided us with verbal commentary on the process that led to the decision to choose early retirement over the other two alternatives. They indicated that, in their opinion, the decision was not difficult given the nature of the choices developed.

4.45 There were no minutes or notes kept of the meetings. As a result, it was not possible for us to examine the processes of analysis and evaluation that were conducted to arrive at the decision that an early retirement program was to be recommended to address the problem at hand.

4.46 Without being able to examine an analysis of the three options we are left with a number of questions. And we are concerned because the final decision to select the early retirement option led to an expenditure of between \$64.6 million and \$69.9 million.

4.47 For instance, why does anybody have to be retired early to create opportunities for current civil servants if, according to the demographics, the work force is already advanced in years? It would appear, at least on the surface, that opportunities for current employees would only be

limited if there were a fairly young work force. And what risk was being taken by accelerating the loss of “corporate memory”?

4.48 What would the outcome have been if the attrition option had been pursued? According to government figures, the average annual number of retirees over the period from 1994 to 1999 was 183. In addition there is an average of 697 persons leaving government each year before retirement age. These two factors alone would appear to make the elimination of 1,000 positions achievable without a retirement program. This doesn’t take into consideration the number of positions that were held open due to the hiring freeze at the time the decision was made. Staff of the Department were unable to tell us how many positions were unfilled at that time.

4.49 And as for the layoff alternative, an analysis would have clearly identified the pros and cons of such an action. For instance it would have indicated the extent to which layoffs would jeopardize the rejuvenation process and how they would exacerbate the aging problem which were the two reasons given as to why this alternative was rejected. But since all analysis was done through meetings for which there is no documentation, there is no evidence to examine.

4.50 A final step we would like to have seen is the preparation of information that identified an early retirement program as being superior to the other two alternatives. This is of particular interest since the actuary points out that the early retirement program (which cost between \$64.6 million and \$69.9 million) resulted in employees, on average, retiring between 1.6 and 2.1 years earlier than they would have.

Search for the best early retirement alternative

4.51 We were told that government decided, based on the results of information presented, that the early retirement option would be chosen for further examination. Once again we were not able to determine who exactly government was, what information they had when they made this decision and when the decision was made.

4.52 This was of great concern to us, because the decision to accept early retirement as the preferred alternative was a significant policy decision.

4.53 Following this decision, the Department of Finance was asked to examine the early retirement alternative and to propose a recommended course of action. The Department indicated that it had to conduct its work within several guidelines. The project was expected to be financially sound, they were working under the four project objectives and there was a time deadline.

4.54 However, no precise targets (cost, nature of retirement incentives and number of retirees) were fixed at the commencement of the Department’s work on the early retirement option. As a result, staff were

able to work without major restrictions on the possible configurations of the plan.

4.55 The analysis of the early retirement options included extensive involvement by the actuary. In addition to participating in the meetings, three written communications were provided by the actuary between 19 November 1999 and 19 January 2000 which included estimations of the financial impact of various early retirement options. The actuary also provided estimates of the “degree of interest” in the various options. The Department’s instructions to the actuary and the actuary’s estimations of “degree of interest” were conducted verbally.

4.56 It was an important consideration that the benefits offered in the early retirement plan were of a nature that would draw interest from an appropriate number of potential retirees. At the same time however, it would not be wise to create a program that drew too much interest and cost the Province more than necessary. The decision on the nature of the benefits to be offered through this program was reached by departmental staff using actuarial information that was made available at their request. One thousand participants were anticipated.

4.57 The process of examining the information and deciding on the best early retirement option was accomplished through meetings for which no minutes were prepared and, although there was some input information available, it was not possible to examine this aspect of the decision-making process in detail. The Department indicated that some matters were not documented for this retirement program because of the familiarity staff had with this type of initiative.

4.58 The Department made it clear that the retirement option chosen was designed to be “employee friendly” to serve the needs of the employee first. The consequence was that any employee who met the qualifications could leave, even though the employee may be a valuable or indeed a critical resource. As well, the employees were permitted to leave at a time that was most convenient to them.

4.59 We were told that the reason for permitting all qualifying employees to retire was because previous early retirement programs had provisions that tended to prevent key departmental employees from participating. There were to be no restrictions with this program.

4.60 And as for the difficulty in refilling key positions or making up for lost experience and capability, the Department of Finance pointed out that these people would be leaving at some point in any event and the same problem would still arise. VERW just caused this to take place earlier than expected.

4.61 The Department of Finance went on to say that the responsibility rests with departments to find the replacements for the staff they are

losing. The departments are accustomed to the challenge of replacing people when they leave whether it is for vacation, leave of absence, another job or retirement.

4.62 The Department generated information explaining the potential for savings by government if the VERW was chosen. An expected number of 1,000 retirees were used in the calculations.

4.63 The costs associated with implementing the early retirement program, based on actuarial estimates, were included as an offset against the expected savings to be realized by not having to pay the salaries and expenses as a result of the retirements.

4.64 The savings analysis prepared by the Department covered an eight-year period beginning with the year in which employees could first retire under the program and ending when the last person turned sixty years of age. Below is a schedule that shows the estimated cost of the early retirement program and the projected savings.

Year	(Cost) Savings
1999-00	\$(52.1)
2000-01	8.6
2001-02	16.4
2002-03	48.7
2003-04	50.9
2004-05	53.1
2005-06	55.4
2006-07	57.8
Total	\$238.8

4.65 In preparing the information on costs and savings the Department made the following assumptions:

- that 280 employees would retire before 31 March 2000, that another 140 would retire during 2000-2001 and the final 580 would retire during 2001-2002;
- that the average annual salary and benefits of a retiring employee in the year ended 31 March 2000, would be \$49,000;
- that vacancies would not result from any reason other than the early retirement program; and
- that each retiring employee would create a vacancy, which would not be filled.

4.66 Our main concern with these assumptions is that no recognition is given to the fact that an average of 183 employees have been retiring each

year. While it was assumed that the early retirement program would encourage 1,000 employees to leave early, certainly a fair number of these employees would have taken normal retirement prior to 31 March 2007.

4.67 We also question the assumption that each retiring employee would create a vacancy and a resulting financial saving. We raise this issue because since the program was “employee friendly” there was a high risk that key positions could become vacant that needed replacement.

4.68 For the reasons set out in the previous two paragraphs, we do not agree with the Department’s projected savings of \$238.8 million.

Recommendations

4.69 We recommended that government analyses clearly investigate alternatives and documentation be prepared and retained to not only record the basis for decisions between alternatives, but also to add to the discipline of the decision-making process.

4.70 We recommended that all key assumptions used in any analysis be carefully chosen and reviewed for appropriateness.

Authorization

4.71 We were informed that a Memorandum to Executive Council (MEC) was prepared on 11 January 2000. This memorandum included the recommendation on the course of action to be taken with respect to the early retirement options.

4.72 The Board of Management approved the terms of the VERW on 19 January 2000 after examining the information included in the MEC. No costs were specified in the board minute but the Department indicated they were included in the submission.

4.73 The Minister of Finance publicly announced the program on 25 January 2000.

4.74 One of the features of good decision-making is a commitment to a logical process that guides decision-makers when they are called upon to examine facts and choose the best course of action. In 1994 the Province established the *Procedures Manual for Executive Council Documents*, which we referred to earlier. This manual sets out the requirements for preparing and routing memoranda to the Executive Council. It establishes the process to be followed to ensure decisions are “made with the most complete knowledge of the circumstances that necessitate a decision and of the effect of the chosen action”. According to the manual, “its key importance is in assisting government to make the best decisions possible and to leave a permanent record of the rationale of such decisions”.

4.75 The requirement applies to submissions to the Executive Council and to its committees, including the Board of Management.

4.76 The Department informed us that the process set out in this manual was followed in making the final decision on the early retirement program. Unfortunately, the Department could not supply our Office with a copy of the documents, as it is not government policy to do so. As a result we were unable to establish that the process was conducted in accordance with the requirements of the manual. The Department pointed out that the Board of Management would not conclude on the matter without a proper submission.

4.77 Although we were satisfied that the final action was approved by the Board of Management, we were surprised that the involvement of the Board took place only at the end of the process. We would have expected that a decision as important as the choice between the primary alternatives would have been made at the Board level. As mentioned earlier this decision was made by “government”.

4.78 We note that the *Procedures Manual for Executive Council Documents* has some guidance on this matter. In Section 2 it states, “The decision-making process of the government uses a system of Cabinet Committees. Two of these committees are the Policy and Priorities Committee and the Board of Management.”

4.79 In reviewing Section 3 we note that the mandate of the Policy and Priorities Committee is to “... recommend to Cabinet the establishment and direction of all broadly based government policies and priorities”. Furthermore the terms of reference for this committee make reference to initiating and/or approving proposals for new policy formulation.

4.80 Section 3 also refers to the Board of Management and the matters this committee deals with. For instance there is reference to “personnel management; and determination of the human resource requirements of the public service.”

4.81 We are of the opinion that either one of these committees should have been involved earlier in the decision-making process. This would have involved the decision-makers in a manner that appears to be contemplated in the manual and would have added a more formal structure to the process. In support of this opinion we again quote from the manual, the Introduction of Section 3. “The committee system of the Executive Council is designed to provide fora for the consideration of complex or specialized matters by a number of Ministers prior to presentation to the full Executive Council. Meeting in committee, the Ministers are able to devote more time to discussing an issue than would be available if the issue were only discussed at a meeting of the Executive Council.” As well, central agency and department staff with an interest in a particular subject attend committee meetings at the invitation of the Chair, and can participate in the discussion and help clarify any points that Ministers bring out.

Recommendation

4.82 We recommended that care be taken to ensure that all aspects of the Procedures Manual for Executive Council Documents be followed.

Establishing deadlines

4.83 According to the Department, an overall deadline of mid to late January 2000 was set for the completion of the necessary work on this project. The Department indicated that this deadline was tight and not a lot of time was available to complete the decision-making process. The significance of this deadline to government was that the VERW announcement was scheduled to allow the 1,700 eligible employees to make decisions based on their own personal situations. Employees were not expected to make the retirement decisions based on the disappearance of programs or the restructuring of departments, both of which were to take place at a later date.

4.84 The final decision was made by Board of Management on 19 January 2000. Although a final deadline was established, interim benchmarks had not been set for the period spanning the problem identification to the final decision. Such benchmarks are valuable in tracking the progress of a project and to identify situations where the plan is not being achieved. However, we do recognize that in this particular situation, given the tight time frame of approximately two and one-half months to reach a final decision, there may have been limited opportunities to establish interim target dates.

Departmental response

4.85 The Department provided the following response to our audit report:

... we wish to repeat important clarifications that were made at the outset of your work. We began by restating the government's policy as it relates to the confidentiality of cabinet documents. The policy does not allow us to share such documents with your office. Although you reference this limitation under the heading Conclusion on the Process (page 5), it is not until page 14 that you make clear to the reader that the government does not share cabinet documents. We believe this point is crucial to the reader's understanding of the audit findings and should have been clearly stated up front as a limiting factor to the audit process.

Our comments

4.86 The Department is correct in stating that from the outset of our work we were told that cabinet documents would be confidential. We were not concerned about this at the time because we felt there would be a lot of analysis and documentation which we would have examined leading up to the preparation of the report to Board of Management. Unfortunately, as the results of our audit reveals, there was very little for us to review.

Departmental response

4.87 *You suggest that the intent of VERW could have been achieved through attrition. A turnover of 880 people per year out of 10,000 employees working Part 1 of the Public Service is insufficient to*

“rejuvenate” the public service. This normal rate of turnover allowed almost no progress through the ranks and was not providing sufficient opportunity for individuals to enter the public service. The situation was further compounded by the Program/Service Review as we were expected to find work for the hundreds of employees affected. In order to provide the flexibility needed to address all objectives ..., government was prepared to let more than 1,000 additional people elect retirement under VERW.

4.88 You are correct in reporting that VERW accelerated pending retirements and that responsibility for replacement of key positions and accounting for lost experience rests with the departments which would lose staff through the process. If you continue with the logic, it would also be clear that VERW actually gave departments up to two years advance notice of many retirements. Normally, this amount of lead-time would not occur. It allowed for time to develop succession plans which, by definition, are designed to not only determine potential replacements for key positions but also to ensure organizational continuity through the development of organizational talent.

4.89 You question the assumption that every retiring employee would create a vacancy and a resulting financial savings. Broadly speaking, every retiring employee creates a saving that then leads to a decision on re-investment of some or all of the savings. The investment in VERW had a net saving; some of those savings will be re-invested in rejuvenation, promotion, and placements for people redeployed because of the Program/Service Review.

Our comments

4.90 We agree that spending the savings does not mean that the savings did not take place. However, there is a significant difference between retaining the savings and spending the savings when one looks at the impact on total expenditures or surplus/deficit.

Departmental response

4.91 (We) noted that the Program/Service Review and an aging workforce could jeopardize rejuvenation if layoffs were a component of government’s overall strategy. This point was acknowledged in the objective statement – To minimize the impact of Program/Service Review on employees. This objective came from the Cabinet Task Force on Waste Reduction, which was the Cabinet Committee responsible for Program/Service Review. This Committee, which was made up of a number of Ministers who were also on the Board of Management, was concerned about the potential impact of layoffs on employees. Their work began well in advance of the decision of the Board of Management to implement the VERW. Therefore, with the minimization of layoffs as an objective, two feasible alternatives to meet the remaining two objectives remained.

Our comments

4.92 As we have indicated earlier, our objective in this audit was to examine the decision-making process and determine if proper steps were taken in making the decision to introduce the early retirement program.

Although the process for authorizing the problems and the objectives is important, our concern with the results was that we were unable to establish that portions of the process leading to the decision had taken place.

Chapter 5

Departments of Health and Wellness and Family and Community Services Prescription Drug Program

Contents

Background	89
Scope	90
Results in brief	90
The registration process for Plan F	91
Eligibility requirements	92
Compliance with eligibility requirements	96
Prompt registration and removal	100
Establishing policies and procedures	103
Monitoring compliance with policies and procedures	106
Public awareness and serving the target group	108

Departments of Health and Wellness and Family and Community Services Prescription Drug Program

Background

5.1 The Prescription Drug Program (PDP) is one of many healthcare services provided in the Province of New Brunswick. PDP was established in 1976 to improve and maintain the well being of the people of the Province by making specified drugs available to selected groups of people.

5.2 These people are referred to as “beneficiaries” and include people who can least afford the high cost of prescription drugs and those who have specified medical conditions. Beneficiaries of the program are senior citizens with limited income, people in need of financial assistance, nursing home residents, children in care, and people with cystic fibrosis, AIDS, MS, or organ transplants. The program consists of several “plans” each designed to meet the needs of the beneficiary groups. Each plan has different eligibility requirements and provides different drug benefits. Approximately 15% of the population are beneficiaries of the program; the two largest plans are the plan for seniors and the plan for people in need of financial assistance.

5.3 Atlantic Blue Cross Care (Blue Cross) administers the program for the Department of Health and Wellness. They are responsible for program delivery. In addition, there are ten central office staff at the Department of Health and Wellness who work on the program (director, pharmacists, physicians and program support). They are responsible for program management, which includes deciding what drugs to include, day-to-day monitoring, legislation, etc. Within the program, there are approximately 1,400 prescribing doctors and 165 pharmacies dispensing drugs.

5.4 Our Office has an interest in the healthcare services provided by the Province. In the past few years, we have done audit projects on

ambulance services, the Extra-mural hospital, and hospital corporation governance. We believe that the Prescription Drug Program is significant because it can help individuals obtain drugs that are needed to prevent discomfort, sickness or even death. Also, the program is significant because it has the potential to have great value for money; by providing drugs and controlling a medical condition, it may be possible to prevent more serious health problems with higher treatment costs.

Scope

5.5 Although the Prescription Drug Program has several plans, this audit covered only Plan F – Family and Community Services Beneficiary Group. Plan F provides drug benefits to people who receive income assistance and those who have drug expenses for which they do not have the resources to pay. While the Prescription Drug Program is the responsibility of the Department of Health and Wellness (H&W), eligibility for financial help with drug costs for Plan F is the responsibility of the Department of Family and Community Services (FCS). In the fiscal year ended 31 March 2001, Plan F accounted for approximately \$23 million of the total program expenditures of \$77 million. During the year, there were over 58,000 individuals who had Plan F health cards with drug benefits.

5.6 The objective for this audit was to determine if the Department of Health and Wellness and the Department of Family and Community Services have appropriate systems and practices in place within the Prescription Drug Program to ensure:

- each person who is eligible for benefits within Plan F is offered the program; and
- Plan F provides services only to those people who qualify.

5.7 As indicated by the objective, the audit covers the availability of the plan and eligibility for its benefits. Usage of health cards issued to individuals was not part of the scope of this audit.

Results in brief

5.8 The Department of Health and Wellness and the Department of Family and Community Services have some systems and practices that are helpful in providing the Prescription Drug Program to people who are eligible for benefits under Plan F. However, the current systems and practices are insufficient in ensuring that each person who is eligible for benefits within Plan F is offered the program, and that Plan F provides services only to those people who qualify. There are situations where there are services available, but no one is using them. And, there are cases where services are being provided to individuals who are not eligible.

5.9 We believe that many of the problems we identified result from inadequate co-ordination and communication between the Department of Health and Wellness and the Department of Family and Community Services. Both departments have direct involvement in delivering Plan F, yet there is very little formal contact between the

two departments; there is no written agreement stating their roles and responsibilities, and there is no working committee or regular meetings to ensure that problems are identified and addressed.

5.10 We believe the Department of Health and Wellness and the Department of Family and Community Services should work together and make improvements in the delivery of Plan F.

The registration process for Plan F

5.11 Eligibility for financial help with drug costs for Plan F of the PDP is the responsibility of the Department of Family and Community Services. FCS has several ways of helping people in need with their drug costs. The Department can issue “health cards” with prescription drug benefits to individuals who are determined to be eligible. FCS can provide financial assistance to eligible individuals who have private medical plans but cannot afford the participation fees (the amount paid when a prescription is obtained). And, the Department can also provide financial assistance to eligible individuals who have access to private medical plans but cannot afford the monthly insurance premiums (the cost of purchasing insurance).

5.12 Both FCS and the PDP operate under the principle that the Province is the payer of last resort. People qualify for a health card, only if they have no other health insurance coverage. There are four groups of health card recipients under Plan F.

1. “Basic assistance” clients who qualify for a health card because they receive income assistance monthly.
2. “Health card only” clients who qualify because of their drug costs and financial situation.
3. “Extended health card” clients who qualify during a transitional period as they move from income assistance to employment.
4. Clients who qualify for a health card under section 4(2)(b) of the regulation under the *Family Income Security Act* because they receive financial assistance monthly, for specific expenses they have.

5.13 Applicants contact their local FCS office to find out if they are eligible for financial assistance or a health card. Screeners and Needs Assessment Specialists are FCS workers who talk with the applicants to obtain information that is used to determine if the applicants are eligible. NBCase is the automated case management system, developed by Andersen Consulting and FCS in the mid 1990s, which FCS now uses to determine eligibility. If applicants are determined to be eligible, then a health card is mailed to them the following day and the PDP Division registers them as a beneficiary.

5.14 When a prescription is required, the individual presents their health card to the pharmacist. Using the computer system, the pharmacist

verifies the individual's drug coverage with Blue Cross and electronically submits a drug claim for payment. The individual pays a \$4 participation fee for adult prescriptions and a \$2 participation fee for a child's prescription.

5.15 Our first three audit criteria relate to the registration process for eligible clients of Plan F. They address the eligibility requirements for the plan, whether the registration process ensures compliance with the eligibility requirements, and the promptness of registering eligible clients and removing individuals who no longer qualify.

Eligibility requirements

5.16 Our first criterion states:

There should be clearly stated eligibility requirements for the plan.

5.17 To determine whether this criterion was met, we examined the eligibility requirements for each of the four groups of health card recipients.

“Basic assistance” clients

5.18 “Basic assistance” clients qualify for a health card because they receive income assistance monthly. Each “basic assistance” client is eligible for a health card if they do not have coverage under another plan. The policy lists the exceptions: Natives, post secondary students and any other individuals having coverage under another plan. The eligibility requirements for “basic assistance” are set out in the *Family Income Security* legislation. Eligibility is determined by a financial assessment.

5.19 The eligibility requirements for this group of health card recipients are clear.

“Health card only” clients

5.20 Health cards are issued to people who apply for a health card and are determined eligible because of their drug costs and financial situation. These health cards are issued under section 4(4) of the regulation under the *Family Income Security Act*. The intent of section 4(4) is to provide assistance in emergency situations, and it allows eligibility to be determined without imposing the standard financial formula.

5.21 Eligibility is determined by a financial assessment. There is discretion in deciding what expenses and what amounts are considered in performing the assessment. Policies and procedures in NBCase provide guidelines to help decide which expenses and, in a few cases, what amounts to consider.

5.22 The eligibility requirements for “health card only” clients are not clear. The legislation clearly gives the Minister the authority to issue the health cards and the authority to use discretion in determining eligibility. Although policies and procedures do provide some guidance for determining eligibility, they are not extensive enough to make the eligibility requirements clear.

“Extended health card” clients

5.23 The “extended health card” is issued to help people, during the transition period, as they leave the financial assistance program for training or employment. Like the “health card only”, these health cards are issued under section 4(4) of the regulation under the *Family Income Security Act* which allows eligibility to be determined without imposing the standard financial formula.

5.24 Eligibility requirements for the “extended health card” are stated in a policy, “if the loss of the health card is a significant barrier to clients wishing to move from assistance to training and/or employment, a health card may be issued to assist them during this transitional period.”

5.25 The eligibility requirements for the “extended health card” are clear.

“Section 4(2)(b)” clients

5.26 “Section 4(2)(b)” clients qualify for direct financial assistance under Section 4(2)(b) of the legislation because of their financial situation and because they have specific expenses, e.g. training, childcare, medical supplies, transportation. Once an applicant qualifies for financial assistance as a “section 4(2)(b)” client, they also become eligible for a health card. The policy states, “4(2)(b) clients are eligible for the same level of health card coverage as basic assistance clients.” This means that everyone receiving financial assistance under section 4(2)(b) is entitled to a health card, provided they do not have access to other health coverage.

5.27 The intent of section 4(2)(b) is to provide financial assistance for specific expenses. Like section 4(4), it allows eligibility to be determined without imposing the standard financial formula and discretion is introduced. The financial formula used in determining eligibility is complicated; NBCase facilitates performing the financial assessment.

5.28 The eligibility requirements for this group of health card recipients are clear, but somewhat complicated.

The financial eligibility requirement is different for each group of health card recipients.

5.29 In three of the four situations where health cards are issued, eligibility requirements include a financial assessment. Eligibility requirements for the “extended health card” do not include a financial assessment.

5.30 In each of the three situations where eligibility requirements for a health card include a financial assessment, the financial assessment is different.

- For “basic assistance” applicants, the financial assessment includes only income and assets; expenses are not considered. Some types of income are exempt; for example, wages to a maximum of \$200/month, the refundable child tax credit and the refundable federal sales tax credit. And, some assets are exempt; for example, liquid assets to a maximum of \$2,000.

- For “health card only” applicants, the financial assessment includes income, assets and expenses. Expenses are closely examined, and only those relating to necessities are considered. All types of income are considered, including those exempted when applying for “basic assistance”. And, assets considered include the \$2,000 that is exempted when applying for “basic assistance”. Without the same exemptions as “basic assistance”, this financial assessment is more restrictive.
- For “section 4(2)(b)” applicants, the financial assessment includes income, assets and expenses. However, only specified expenses are considered. The assessment includes all types of income; then a comparison is made between total income and the “basic assistance rate”.

5.31 While we acknowledge that the unique needs of different client groups result in the need to tailor the eligibility requirements, using different financial assessments for the same health card might result in the unfair delivery of the program. For example, because the financial assessments are different, it is possible that a health card be refused to someone who is employed that has the same, or even a lower, income than someone who is receiving “basic assistance”. The individual receiving “basic assistance” will automatically receive a health card. This has the potential to be unfair to the low-income worker.

Some employees are unaware that “section 4(2)(b)” clients are eligible for a health card.

5.32 We saw several client files where the case notes clearly indicated that the employee was unaware that “section 4(2)(b)” clients are eligible for a health card. And, we saw one case where the notes made by several different employees indicated that they did not clearly understand the “health card only” and section 4(2)(b) policies.

Some employees are confused with the eligibility requirements between two groups of health card recipients.

5.33 Some employees are confused as to when to perform a “health card only” assessment and when to perform a section 4(2)(b) assessment. Since the assessments are different, confusion poses a risk that individuals who are eligible for assistance may be determined ineligible.

5.34 Our testing in NBCase, on health card recipients, revealed several cases where the wrong assessment had been performed; a “health card only” assessment was performed when a section 4(2)(b) assessment should have been performed. This is significant because the financial assessments are different and the benefits/services are different. This problem commonly occurs with applicants having high medical expenses because of diabetic supplies. We saw several cases where a “health card only” assessment was performed and a health card was issued. This is the wrong service for this group of clients. Diabetic supplies are not included as benefits within the Prescription Drug Program; the health card will provide the client with their insulin, but it will not provide their diabetic supplies. The proper service for these individuals is to perform a section 4(2)(b) assessment. If eligibility is determined, the individual will obtain

financial assistance for their diabetic supplies in addition to the health card for their insulin.

Conclusion

5.35 This criterion is partially met.

5.36 Eligibility requirements for the plan are stated in legislation, policies and procedures. Within the plan, health cards are issued to four groups of clients. We found that the eligibility requirements for three of the four groups are clearly stated. However, the lack of clearly stated eligibility requirements for one group, coupled with complicated eligibility requirements for another group, causes some employees to be confused with the eligibility requirements between two groups of health card recipients.

5.37 We are concerned by the differences in the financial eligibility requirements for the four groups of health card recipients within the plan and the potential for unfairness.

Recommendations

5.38 To ensure that health cards are issued in a fair manner, we recommended that the financial eligibility requirement for each of the four groups of health card recipients within the plan be reviewed and amended, as necessary. The eligibility requirements for the “health card only” should be enhanced so that they are clear to employees and applicants.

5.39 Since some staff are confused with the services provided to “health card only” and “section 4(2)(b)” clients, we recommended that training needs be identified and assessed. A training plan should be established to reflect these needs, and it should be incorporated into the financial budget.

FCS response

5.40 Our Operational Support branch will revisit the Health Card Only eligibility requirements, with the focus of ensuring comparable levels of assistance throughout the province. It is important that we respect the discretionary aspects of Health Card Only cases, as set out in Section 4(4) of the regulation under the Family Income Security Act, so absolute uniformity is not our expectation.

5.41 Our Operational Support branch will identify the specific training needs with respect to Section 4(2)(b) and Section 4(4) cases, and will incorporate this into its user training plan for front line staff.

Compliance with eligibility requirements

5.42 Our second criterion states:

The registration process should ensure compliance with the eligibility requirements.

5.43 The registration process should ensure that each eligible person who applies is given benefits, and that the plan provides services only to those people who qualify. To determine whether this criterion was met, we

examined a few specific eligibility requirements and then tested active clients to determine if the requirements were met. We also performed an analysis and testing to determine if health cards are issued consistently throughout the Province.

5.44 Applicants contact their local FCS office to find out if they are eligible for assistance. Screeners and Needs Assessment Specialists talk with the applicants to obtain information that is entered into NBCase to determine if they are eligible. FCS believes that their registration process does ensure compliance with the eligibility requirements. They told us that since NBCase was introduced in 1996, the Department is doing very well processing applications consistently throughout the Province. They said that NBCase has standardized the decision-making process and the programmed eligibility rules are strictly adhered to. They feel it is a very objective system.

The registration process does not always ensure that the Province is the payer of last resort.

5.45 Paragraph 2.01(1) of the Prescription Drug Payment Act states, “Notwithstanding the definition ‘beneficiary’, no person is eligible to receive benefits under the programme if the person has, or is covered by, a contract or plan of insurance that, in the opinion of the Minister, provides benefits similar to the benefits provided under the programme.” Paragraph 4(1) of the General Regulation – Family Income Security Act states, “As a condition of initial eligibility...all persons in the unit shall satisfy the Minister that they have, to the best of their ability, explored every possibility of support available to them.” The legislation is clear. The Province is the payer of last resort; individuals who have access to other health coverage are not eligible for benefits.

5.46 Our testing revealed that FCS is not in full compliance with the payer of last resort legislation. During our testing we found several cases where Natives had been issued a health card and some system control weaknesses in NBCase. The following is a brief discussion of these situations.

5.47 The federal government is responsible for the drug program for all Natives, regardless of whether or not they live on a reserve. Natives are not eligible for the PDP and FCS’s policies and procedures clearly state this.

5.48 Since all “basic assistance” clients are eligible for a health card, NBCase is programmed such that if the client is entered as a Native during the registration process, then the system automatically denies a health card. When a Native is not identified in NBCase, a problem occurs; they are issued a health card even though they are not eligible.

5.49 We tested the active cases as of 14 May 2001, to determine if there were any Natives who had health cards. Our testing did not permit us to identify all Natives. However, we did determine that there were 65 Natives with health cards. We chose a random sample of six to confirm that they

had federal coverage for drugs, and to determine whether or not they were using their New Brunswick PDP health card. The federal program confirmed that all six had coverage with them. Two of the six had obtained benefits under the New Brunswick PDP. The results of this test indicated that the registration process does not always ensure compliance with the eligibility requirements, and that the plan does provide services to some people who do not qualify.

5.50 Since the legislation clearly states that the Province is the payer of last resort, controls are needed to identify applicants that have other health coverage available to them. There are “features” within NBCase that we consider are control weaknesses for the Prescription Drug Program. The following examples concern the risk that the applicant may have other health coverage.

- During the application process, NBCase contains many prompts to aid the workers in obtaining information and determining eligibility. However, there are no prompts in the system to encourage the Screener or the Needs Assessment Specialist to ask about other health coverage. We see this as a control weakness.
- Another control weakness within NBCase that we identified is a “bug” within the system. Once the health card has been “turned off” for a “basic assistance” client, whenever NBCase re-evaluates eligibility, the health card is “turned back on”. A change in income, assets, address, marital status, etc. will trigger the system to re-evaluate eligibility. This bug affects the largest group of health card recipients within Plan F; there are over 50,000 “basic assistance” clients. Although it is likely that most of these clients do not have other health coverage, we know that there are some that do and are, therefore, not eligible for the PDP. And, since Plan F has participation fees that are lower than most health plans, it is very likely that an individual with two health cards would choose to use the Plan F card because they would have to pay less.

The registration process does not always ensure that health cards are issued consistently.

5.51 The second largest group within Plan F are the “health card only” clients. As of May 2001, there were over 2,300 “health card only” clients. These are people who apply for a health card and are determined eligible, because of their drug costs and financial situation, using a financial assessment. When performing the financial assessment, the worker in the region uses discretion in deciding what expenses and what amounts are to be used in the assessment. Preliminary information indicated that these health cards might not always be issued on a consistent basis.

5.52 FCS recognizes that when discretion is introduced, it comes with a risk of inconsistency. They are attempting to control this risk by 1) providing guidelines to help workers in making decisions and 2) requiring the approval of each “health card only” client within a region by the Supervisor. Supervisors meet regularly and communicate frequently by email in an attempt to provide consistency between regions.

The Department thought there should be virtually no variance between “health card only” cases within a region, and there should be very little variance between regions. They told us that in cases where the guidelines are not followed, the case notes should clearly document reasons why they were not. They reported that the workers in the regions are very thorough when performing the financial assessments.

5.53 We performed an analysis on all active cases in NBCase as of 14 May 2001. The analysis showed great inconsistency in the ratios of “health card only” clients to “basic assistance” clients. This means that one of the two factors in the ratio must be inconsistent. Since the approval process for “basic assistance” applicants involves a standard financial assessment performed by NBCase with very little, if any, discretion by the worker, we believe that the inconsistency is in the approval of “health card only” applicants. The analysis showed that in one regional office, there was one “health card only” client for every seven “basic assistance” clients; however, in another regional office, there was one “health card only” client for every sixty-two “basic assistance” clients.

5.54 We found more evidence that “health card only” applicants are not always treated consistently in our testing of specific cases in NBCase. Testing on a sample of financial assessments, performed on people applying for a health card, indicated the following inconsistencies. (The sample covered thirty health cards issued in four of the seven regions.)

- There is inconsistency in the use of the expense guidelines for food; clothing; routine transportation; and household and personal. The expense guideline for food is 30% of the “basic unit rate”. One case, with one adult and one dependant, was allowed \$400 as a monthly food expense; the guideline was not used and the case was approved for a health card. A different case, with two adults and three children, was allowed only \$259 as a food expense; the guideline was used and the case was not approved for a health card.
- There is inconsistency in the documentation supporting the use of the allowable “medical transportation - gas” expense category. The policy says that a medical transportation expense of \$0.11 per kilometre is permitted for the use of a private vehicle. We saw some cases where the amount stated in the policy was used to determine the expense figure. However, there were several cases where an amount was entered, but there were no notes or calculations to support the figure. We saw two cases where there was an unexplained medical transportation expense of \$100/month and one case where it was \$150/month.
- There is inconsistency in the documentation supporting the use of the allowable “other” expense category. We saw two cases where the amount of \$100/month was allowed, without explanation. In another case, an amount of \$150 was allowed for “other” expenses but it was accompanied only by a general explanation.

Conclusion

5.55 This criterion is not met.

5.56 The registration process does not always ensure compliance with the eligibility requirements. We found several cases where a health card had been issued to an individual having other health coverage. We found evidence indicating that health cards are not being issued consistently and cases where we could not find evidence of financial eligibility.

Recommendation

5.57 We recommended that the registration process be reviewed and amended, where necessary, to ensure that controls are in place to identify applicants having other drug coverage and to prevent these individuals from obtaining a health card. The review should ensure that the NBCase features that we identified as control weaknesses are addressed.

FCS response

5.58 As a first step to address this recommendation, our Operational Support branch will convey the message to all Screeners, Needs Assessment Specialists and Case Managers that applicants and clients are to be asked if they have health coverage for prescription drugs, under any other plans.

5.59 To incorporate this question into our computerized intake process, as well as the case review process, we will explore the feasibility of amending the NBCase system to have this as a dropdown that must be completed as part of the application/case review form.

Recommendation

5.60 Since issuing health cards to Natives is a recurring error, we recommended that workers in the regions be informed of the importance of identifying Natives in NBCase. Cases in doubt should be identified and followed-up with the federal group responsible for Native drug coverage. We also recommended that someone be assigned the responsibility of monitoring to ensure Natives are not issued health cards.

FCS response

5.61 Our Operational Support branch will extract all cases from the NBCase system with series 7 & 8 Medicare numbers, will confirm if they have native status with the federal government, and accordingly will delete the provincial health coverage. A similar report will be run and actioned on a quarterly basis.

5.62 Screeners, Needs Assessment Specialists and Case Managers will be reminded to properly select the NBCase citizenship description "Registered Indian Act-Canadian" for those clients with native status. The existing NBCase edit will not permit health coverage if registered Indian Act citizenship is recorded.

Recommendation

5.63 To bring more consistency to the issuance of health cards, we recommended the following:

- **Explanations for the existing inconsistencies in the office ratios of “health card only” clients to “basis assistance” clients should be obtained. Inappropriate procedures should be identified and corrected.**
- **Explanations for the existing inconsistencies in the financial assessments performed on “health card only” applicants should be obtained. Inappropriate procedures should be identified and corrected.**
- **The guidelines for expenses for “health card only” applicants should be reviewed, and amended if necessary. All regional workers involved with the registration process should be informed of the proper usage of the guidelines.**
- **Controls should be established in the registration process to ensure that health cards are issued consistently to all eligible applicants and that health cards are issued only to those applicants that meet the eligibility requirements.**

FCS response

5.64 *Although we expected inconsistencies to be found during your review, as we are aware of the diversity in demographics and availability of health coverage that exist between regions, the extent of the differences has prompted us to have our Internal Audit Unit schedule a review of health card only cases in the near future.*

5.65 *This review will focus on identifying unique and best practices, as well as supporting document requirements in all regions, and will assist the Operational Support branch in its examination of eligibility criteria for this client group.*

Prompt registration and removal

5.66 Our third criterion states:

Procedures should be in place to ensure the prompt registration of a person who qualifies for the program and the prompt removal of a person who no longer qualifies for the program.

There are procedures in place to ensure the prompt registration of a person who qualifies for the program.

5.67 Registering an individual in the program is a two step process. The first step is determining eligibility and the second step is issuing the health card benefit.

5.68 FCS is solely responsible for the first step, determining eligibility. Applicants contact their local FCS office to find out if they are eligible for financial assistance or a health card. Screeners and Needs Assessment Specialists are FCS workers who talk with the applicant to obtain information that is entered into NBCase, which FCS uses to determine eligibility.

5.69 FCS stated that they feel that NBCase helps with prompt processing and our observations support their statement. We observed the Screeners in one region while they were working and NBCase appeared

helpful in many ways, such as prompting questions to ask, quickly performing calculations, and scheduling interviews. FCS also said that prompt registration is not really a concern because their legislation states that if a person is determined eligible, then assistance will be given retroactively to the date of the application and that NBCase is programmed to make this happen.

5.70 Once the regional offices of FCS determine eligibility and a health card is approved, the information must be forwarded to Blue Cross. The Blue Cross data file is prepared daily and transferred nightly. Blue Cross does a daily update to the Prescription Drug Program's adjudication system, which registers the eligible individuals as beneficiaries, giving them access to the program's benefits. On the day following the approval, a health card is mailed to the individual through NBCase. Although this normal process gives an individual access to drug benefits on the day following the approval of the health card, there is also a process in place for emergency situations that provides same-day access to the program's benefits.

5.71 The data file transfer from FCS to Blue Cross appears to work well. There is a formal process in place, with controls, to ensure that the file is sent properly, that the file is received properly and that the Blue Cross system is updated properly. Should a problem occur, there is a formal process for addressing it promptly. Both FCS and the PDP Division reported that problems are rare and that the existing system is working well.

5.72 We tested a random sample of 25 cases in Plan F, where drug benefits had been received, to determine if the client was registered as eligible for prescription drug benefits in NBCase at the time the benefit was received. In each of the 25 cases, the client was registered as eligible for drug benefits in NBCase at the time the benefit was received. The results of this test indicated that eligibility information is being transferred properly from FCS to Blue Cross.

There are procedures in place to ensure the prompt removal of a person who no longer qualifies for the program.

5.73 The procedures for removing a person, who no longer qualifies for the program, are very similar. NBCase is programmed such that when eligibility ceases, the health card benefit is automatically terminated. Eligibility ceases when either a FCS worker enters information into NBCase that terminates eligibility or when the eligibility period lapses. This information is also sent to Blue Cross in the data file that is transferred nightly.

5.74 We tested a random sample of 99 cases, where the prescription drug benefits had been terminated in NBCase, to determine if the individual had received drug benefits after their case had been terminated. We found no cases where drug benefits had been received after the termination date. The results of this test indicated that the eligibility

information is being transferred properly and the Blue Cross system is being updated promptly.

There is no process allowing the PDP Division to terminate the benefits of someone in the Plan.

5.75 On occasion, the PDP Division becomes aware that a beneficiary of Plan F has other drug coverage, and is therefore not eligible for the program. Since the PDP Division is responsible for the program's expenditures, it is important that they have a means of initiating the removal of people who are not eligible for the program. There is no formal process in place that allows the PDP Division to terminate the benefits of someone in Plan F.

There is no formal process for the PDP Division to help people secure a health card.

5.76 The PDP Division reported that they have been involved with cases where determining eligibility was not done promptly. The cases involved individuals who were told by the FCS Screener that they were not eligible for a health card, but later it was determined that they did qualify. They reported that it is very difficult for mental health patients specifically to get past the telephone screening for eligibility. They reported, on average, having to respond to one case per week dealing with eligibility issues. The number of cases and the time required to address each issue might indicate problems with the registration process and/or the eligibility requirements.

5.77 FCS reported that they saw no evidence of delays in screening. Given the differences between departments with respect to the promptness of determining eligibility, we feel it would be appropriate for them to work together to resolve the matter.

Conclusion

5.78 This criterion is substantially met.

5.79 For normal cases, procedures are in place to ensure the prompt registration of a person who qualifies for the program and the prompt removal of a person who no longer qualifies for the program. However, like most systems, there are situations which do not fit the normal profile; and formal procedures are not in place for dealing with these cases.

Recommendation

5.80 We recommended that a formal process be established that facilitates the prompt removal of individuals from the program when it has been identified by the PDP Division that they have other health coverage.

FCS response

5.81 Our Operational Support branch will outline an information sharing process for PDP's consideration.

5.82 It is intended that upon receipt of other health coverage information, this branch will take prompt action to delete the client's eligibility for health benefits in the NBCase system.

H&W response

5.83 *PDP will support establishing a formal process for removing those individuals who have been identified, though supportive documentation, as having other prescription drug coverage.*

Recommendation

5.84 **We recommended that the two departments develop a formal process for how the PDP Division is to help people secure a health card through FCS. The process should ensure the applicant is eligible before approving the health card and that proper documentation is maintained.**

FCS response

5.85 *Since the determination of eligibility for financial assistance with health related costs, including PDP, rests solely with the Minister of Family and Community Services, the established process of making application at one of our service sites will not be altered, except by order of the Executive Council.*

5.86 *However, should PDP have concerns about a specific applicant situation, our Operational Support branch, once advised of the particulars, will promptly examine the intake information on file and will provide feedback to PDP.*

H&W response

5.87 *PDP will support development of a formal process designed to address situations that do not fit the normal profile for applying for prescription drug services under the FCS health card.*

Establishing policies and procedures

5.88 Policies and procedures establish rules to ensure that a program is provided in accordance with legislation and that the program is delivered consistently throughout the Province.

5.89 The next two audit criteria relate to policies and procedures regarding eligibility for the plan. They address whether policies and procedures are documented, accessible by staff and kept current; and whether they are monitored for compliance.

5.90 Our fourth criterion states:

Policies and procedures regarding eligibility should be documented and easily accessible by staff. They should be reviewed annually and updated as needed.

There are documented policies and procedures regarding eligibility.

5.91 All policies and procedures regarding eligibility for the plan are on NBCase. The on-line system ensures that staff have access to the current policies and procedures.

5.92 The PDP Division does not have a copy of FCS's policies and procedures regarding eligibility for the plan. Since the policies and procedures are on NBCase and the Division does not have access to NBCase, the policies and procedures are not easily accessible by the Division. The PDP Division finds it difficult to respond to the public's

questions and complaints without having easy access to the plan's policies and procedures.

Some of the policies and procedures in NBCase, relating to health cards, are not correct.

5.93 We reviewed the policies and procedures relating to health cards and noted that some of the information appeared incorrect. We requested that these policies and procedures be reviewed. It was confirmed that some of the information was not correct.

Policies and procedures are reviewed and updated.

5.94 Changes are initiated in several ways, including the use of issues identified by the regions. Changes made to policies and procedures are dated, and easily seen in NBCase. However, there is no scheduled review of all policies and procedures, and at the time of our review, there was some outdated information. In order to reduce the risk of confusion and maintain a manageable amount of information, "house cleaning" of policies and procedures is needed periodically.

Information needs have not been determined and formal communication channels, between the two departments, have not been established.

5.95 The PDP Division told us that resolving problems relating to Plan F can be a very inefficient process for them. Problems they encounter include: discovering beneficiaries of the plan who have other health coverage, handling complaints and resolving eligibility issues when serving their public advocacy role. Obtaining the required information is not always easy; formal communication channels have not been established and the rules for sharing information are unknown.

5.96 The PDP Division does not have access to NBCase. NBCase is the automated case management system used by FCS to determine eligibility. Amongst other information, NBCase includes information on applicants, information on clients (both active and terminated), and policies and procedures. The PDP Division wants access to NBCase. They believe that access to this information will allow them to improve the administration of the program, be more accountable for the money spent, provide better service to clients, and resolve problems.

Conclusion

5.97 This criterion is partially met.

5.98 We were pleased to find that policies and procedures regarding eligibility are documented and maintained in NBCase. They are updated when FCS sees the need. However, policies and procedures are readily accessible to FCS staff only, and there are places where some of the information is not correct. Without correct, clear policies and procedures, FCS workers could deliver the service improperly or give the public wrong information about the Prescription Drug Program.

5.99 The PDP Division is not consulted when FCS develops or changes their policies and procedures relating to the plan. Information needs have not been determined and formal communication channels, between the two departments, have not been established.

Recommendation	5.100 We recommended that FCS provide the PDP Division with a copy of all the current policies and procedures relating to the plan.
FCS response	5.101 <i>Our Operational Support branch will ensure that the NBCase procedures relating to Plan F will be made available to PDP. Presently, the NBCase policies are accessible via the Internet. It is our intention to explore the viability of providing PDP with an electronic copy of the information, including procedures, that appears on the NBCase On Line Help screens.</i>
H&W response	5.102 <i>PDP agrees that FCS should provide the division with a copy of all current policies and procedures relating to the Plan.</i>
Recommendation	5.103 We recommended that the PDP Division carefully review all current policies and procedures relating to the plan from their perspective. Suggested changes should be given to FCS for consideration. Corrections, that are considered necessary, should be made in NBCase as soon as possible.
FCS response	5.104 <i>Suggested policy and procedure amendments from PDP will be welcomed by the Operational Support branch. It will consider the change requests, discuss any concerns with PDP, and will incorporate the agreed upon changes into the NBCase On Line Help screens.</i>
H&W response	5.105 <i>PDP will assign responsibility of FCS prescription drug policy review to a DHW staff person when a formal process has been established.</i>
Recommendation	5.106 We recommended that the two departments work as a team and both be directly involved in preparing and amending policies and procedures relating to the plan. We also recommended that someone at FCS be assigned the responsibility of providing the PDP Division with a copy of all changes, made to policies and procedures relating to the plan, as they occur.
FCS response	5.107 <i>Our Operational Support branch has the responsibility to maintain NBCase policies and procedures, including those related to Plan F coverage. This branch will liaise with PDP, and will ensure that amendments are shared with PDP.</i>
H&W response	5.108 <i>PDP will co-operate in amending policy/procedure updates relating to the Plan.</i>
Recommendation	5.109 We recommended that FCS assign someone the responsibility of collecting all required updates to policies and procedures and annually making the changes to keep the information relevant and correct.

FCS response	5.110 <i>Assignment of this responsibility rests with our Director of the Operational Support branch, as it is a function of this branch to update NBCase policies and procedures on a continuous basis.</i>
Recommendation	5.111 We recommended that the two departments work together and determine their information needs, including whether or not the PDP Division should have access to NBCase. Formal communication channels between the two departments should be established.
FCS response	5.112 <i>Access to the NBCase system by PDP is not an option at this time due to current legislation that prevents such sharing of personal information with other departments.</i>
H&W response	5.113 <i>However, we are willing to discuss with PDP their information needs and will endeavour to put in place a communication mechanism that will satisfy these needs, including the resolution of case-specific situations.</i>
H&W response	5.114 <i>PDP will assign a staff person to work with FCS staff in determining information needs and establishing a formal communication process.</i>
Monitoring compliance with policies and procedures	<p>5.115 Our fifth criterion states:</p> <p><i>Policies and procedures should be monitored for compliance.</i></p> <p>5.116 Monitoring compliance with policies and procedures determines if a program is operating in accordance with legislation and if the program is delivered consistently throughout the Province. Monitoring is an important function.</p>
A proper monitoring system has not been established.	<p>5.117 A proper monitoring system has not been established for the plan. Regular monitoring procedures are not being performed and have not been developed.</p> <p>5.118 FCS does perform activities to determine if their policies and procedures are being followed. Monitoring of “basic assistance” and “section 4(2)(b)” clients is performed within the region by management and investigators, and is performed overall by regional directors and by the audit services group. Although monitoring of “basic assistance” clients and “section 4(2)(b)” clients indirectly monitors health cards issued to these clients to some extent, FCS does not perform any specific activities for monitoring the issuance of health cards. FCS investigators do not monitor “health card only” clients. This is a group of over 2,300 clients.</p>
An accountability framework is not in place for Plan F.	5.119 We found the legislation for the plan cumbersome and confusing. Six pieces of legislation (Acts and Regulations) and two different departments are involved. The <i>Family Income Security Regulation</i> is the authority for the Department of Family and Community Services to issue

health cards and it states the eligibility requirements. The *Health Services Regulation* is the authority for drug benefits provided to Plan F beneficiaries to be paid under the Prescription Drug Program. The *Prescription Drug Payment Regulation* is the authority for the Department of Health and Wellness to pay for drugs on behalf of beneficiaries of the program. Although the beneficiaries of the other plans within the PDP are defined in the *Prescription Drug Payment* legislation, there is no description of Plan F or reference to these beneficiaries.

5.120 The PDP Division has no control over eligibility for plan F clients; they have no involvement in the registration process; yet, they are responsible for the program's costs and its administration.

5.121 When the responsibility for determining eligibility and issuing health cards is not assigned to those responsible for the program's budget, it is difficult to manage and control expenditures; and, accountability is challenged.

5.122 Who is, or should be, responsible for monitoring the plan is not clear. There is no written agreement between the departments stating monitoring roles and responsibilities. However, management of both departments agree that Plan F beneficiaries are clients of FCS and that H&W is simply a service provider. This being the case, we question the adequacy of the accountability structure for the plan.

Conclusion

5.123 This criterion is not met.

5.124 Policies and procedures are not monitored for compliance. A proper monitoring system has not been established for the plan and our observations indicated that monitoring is lacking.

5.125 An accountability framework is not in place for Plan F. It is not clear who is responsible for monitoring the plan; there is no written agreement between the departments stating monitoring roles and responsibilities.

Recommendation

5.126 We recommended that the two departments work together and develop a proper monitoring system for the plan that satisfies both departments' needs.

FCS response

5.127 We endorse the need for monitoring of all programs, including those related to Plan F and are willing to discuss this issue with PDP, although we recognize that monitoring of a jointly administered program presents challenges, especially with limited resources.

5.128 The costs associated with monitoring vs the benefits to be realized will have to be identified before any FCS resources are committed.

H&W response

5.129 *PDP currently monitors prescription drug usage of FCS clients for its own purposes. The program has shared or created documents when requested by FCS. PDP would be willing to co-operate in a more formal process that would enable both departments to share available data for use in program management.*

Recommendation

5.130 **In order to enhance accountability for the plan, we recommended that the two departments formalize their relationship in a written agreement that states their roles and responsibilities. We recommended that the two departments establish goals for the plan. We also recommended that the two departments establish a formal working committee that meets regularly to ensure that interdepartmental issues are identified and addressed promptly.**

FCS response

5.131 *With the enhancements expected in working relations between PDP and FCS resulting from this review, it is appropriate for the two departments to jointly ratify their respective roles and responsibilities with respect to Plan F.*

H&W response

5.132 *PDP will assign a DHW staff person to develop an agreement that formalizes the relationship and states roles and responsibilities with FCS in the following areas:*

- *establish goals for health card prescription drug issues that meet the needs of both departments;*
- *maintain a seat(s) on a working committee, comprised of management staff from both departments to discuss on-going and urgent issues;*
- *discuss the feasibility/necessity of changing existing legislation of both departments to establish a joint responsibility center for budget and access issues.*

Public awareness and serving the target group

5.133 *Each program or service provided by government has a purpose. When government provides social programs, something is being done for a group of people. In order for a program to be effective, the target group must be identified and served. The last audit criterion deals with serving the target group.*

5.134 *Our sixth criterion states:*

Information on the program, including eligibility requirements and the application and termination processes, should be made available to all potential applicants.

There is information on Plan F on the Internet.

5.135 *Plan F is described briefly, along with each of the other plans within the Prescription Drug Program, on the Department of Health and Wellness' website. The Department of Family and Community Services' website provides their policies, and information on health cards is available there.*

There is no information on Plan F that is prepared in hard copy for the public.

5.136 We found that it is not easy to locate the policies relating to health cards on the Internet. All the information on the program, including eligibility requirements and the application and termination processes, is not conveniently located together. We reviewed the policies on the Internet relating to health cards and noted that some of the information was incorrect.

5.137 There is no information prepared in hard copy for public consumption that specifically describes the plan, including eligibility requirements and the application and termination processes. The PDP Division does not have pamphlets to distribute to the public that discusses Plan F, and general pamphlets used in the past have not made reference to Plan F. FCS has pamphlets on some of their services that are for public distribution; however, health cards are not discussed in the pamphlets.

5.138 We asked FCS how people become aware of the help that is available for unmanageable drug costs. FCS told us that they do not advertise; the demand for services already exceeds the supply of financial resources. They said, “Clients find us”. They told us that community service resources (emergency shelters, food banks, and transition houses) and health professionals (physicians and pharmacists) refer potential clients to their department for help.

There are two available services that are not being used.

5.139 Individuals who have private health coverage but cannot afford the participation fees (the amount paid when a prescription is obtained) may be eligible for financial help. This is one of the benefits available under section 4(2)(b). Examples of individuals who may need this financial assistance are people who have cancer or mental illnesses because the drugs used to treat these illnesses are extremely expensive. This assistance is briefly described in the information on FCS’s website.

5.140 Another one of the benefits available under section 4(2)(b) is financial assistance for the “monthly cost to receive coverage for prescription drugs from a private plan” (monthly premium). We could not find information on this type of assistance on FCS’s website, but we did see it described in the policies and procedures in NBCase.

5.141 We reviewed the usage of these two services by first determining the number of “section 4(2)(b)” clients. We then determined the number of people within this group that were receiving financial assistance to help pay for participation fees and the number of people that were receiving financial assistance to help pay for monthly premiums for private health coverage. On 14 May 2001, there were ninety “section 4(2)(b)” clients in the Province. There were no clients within this group that were receiving financial assistance to help pay for participation fees. There were no clients within this group that were receiving financial assistance to help pay for monthly premiums for private health coverage.

5.142 It is important to provide financial assistance to those with private coverage, who need help paying participation fees, in order to prevent these individuals from cancelling their private coverage and then coming to the department for a health card. This would result in the Province paying for the full cost of the drugs. Likewise, it is important to provide financial assistance to those who need prescription drugs and have access to private coverage, but need help paying the monthly premiums. Helping individuals obtain private drug coverage will make it unnecessary for them to come to the department for a health card, whereby the Province pays for the drugs.

Conclusion

5.143 This criterion is not met.

5.144 Information on the program, including eligibility requirements and the application and termination processes, is not available to all potential applicants. Not everyone has access to the Internet and without computer access, information provided on the Internet is not useful.

5.145 There are two available services that are not being used. Individuals who have private health coverage but cannot afford the participation fees are not receiving the proper service. And, individuals who need prescription drugs and have access to private coverage, but need help paying the monthly premiums, are not receiving the service that is available. This may be partly due to the lack of public disclosure of these services.

Recommendation

5.146 We recommended that the two departments work together in creating a pamphlet for the public that provides general information on the Prescription Drug Program and more detailed information on Plan F, including the benefits available, the eligibility requirements, the application and appeal processes, and phone numbers where more information can be obtained.

FCS response

5.147 *With PDP spearheading and funding this initiative, we will actively assist in the provision of information on the eligibility, application and appeal processes.*

H&W response

5.148 *PDP has a public information sheet that gives a brief description of the FCS plan. The program is currently considering updating the existing PDP pamphlet. With co-operation from FCS, a revised pamphlet would incorporate suggested information and be distributed to both departments as well as to relevant stakeholders.*

Recommendation

5.149 We recommended that information on the plan be available through both departments, at the regional offices of both departments, at the offices of health professionals (such as cancer specialists and psychiatrists), and at pharmacies, hospitals, and other community support centres. We also recommended that the phone numbers, where more information can be obtained, be provided on the reverse side of the health card that is issued to clients.

FCS response

5.150 *Our service sites throughout the province will prominently display and make available the Plan F information pamphlets to the public.*

5.151 *The provision of these pamphlets to all clients with health card drug coverage should address the need for any additional information, and therefore makes the suggestion of printing a phone number on the health card redundant.*

H&W response

5.152 *PDP will provide assistance with the circulation of drug plan information to all relevant stakeholders.*

Recommendation

5.153 **Since providing financial assistance to individuals to cover expenses relating to participation fees and monthly premiums for private health coverage could reduce costs to government, we recommended that FCS determine why these services are not being used and make corrections as necessary.**

FCS response

5.154 *Our upcoming internal audit and Operational Support branch reviews of health card only cases may provide some insight as to why there is no apparent activity in the payment of participation fees or monthly premiums for other health coverage.*

5.155 *This issue will also be addressed in the Section 4(2)(b) and 4(4) case training of front line staff.*

Chapter 6

Department of Natural Resources and Energy - Crown Lands Management

Contents

Background	115
Scope	117
Results in brief	117
Identifying the responsibilities	118
Measurable goals/objectives	120
Performance reporting	129

Department of Natural Resources and Energy - Crown Lands Management

Background

6.1 As noted in the Speech from the Throne, 30 November 1999, “New Brunswick’s natural resources have been a traditional mainstay of our employment.” Perhaps most prominent in this regard is the forest industry - long considered the backbone of the provincial economy. It employs one in eight working New Brunswickers. The annual production from the Province’s forests is valued at approximately \$3 billion. In addition, the importance of forest lands for other than pulp and sawmill use is growing. Non-timber products such as syrup, and service provided by fish and game outfitters are \$100 million annually and growing.

6.2 In addition to the economic and related social impact, the forest has an undeniable environmental value. It protects the quality of our air and water. It provides habitat to fish and wildlife. And it opens up many opportunities for recreation. Against this backdrop, calls for land to be set aside to preserve nature and the environment appear to be growing.

6.3 Three significant groups of owners currently manage the forests of New Brunswick. The Crown is the largest with ownership of around 50% of New Brunswick’s productive forestlands. The majority of the Crown forestlands are managed by the provincial government through ten licensee agreements with wood processing companies. These licensee agreements are 25-year leases subject to renewal every five years based on satisfactory performance of the licensee in meeting the objectives of a management plan. The management plan defines the Crown land objectives for each five-year period. At the time of our audit, the 2002-2007 plan was nearing completion.

6.4 Private woodlot owners are the second largest group with 30% of the land. This is a diverse group of landholders with a variety of objectives and degrees of skill in managing their lands. Many private woodlot owners are represented through the seven wood marketing boards and the New Brunswick Federation of Woodlot Owners.

6.5 The third major grouping of land is owned by the large mills and wood processors. This so-called “industrial freehold” makes up about

18%. These owners have primarily economic objectives in managing their lands. It is an important source of fibre for their wood processing facilities.

6.6 The *Crown Lands and Forests Act* (the Act) has assigned the Minister of the Department of Natural Resources and Energy responsibilities for both Crown and private forest lands. In the autumn of 1999 we began a two-year audit process to examine the Minister's responsibilities for both Crown and private forest lands. These responsibilities are summarized in section 3 of the Act as follows:

3(1) The Minister is responsible in accordance with this Act and the regulations for the development, utilization, protection and integrated management of the resources of Crown Lands, including

- a) access to and travel on Crown Lands,*
- b) harvesting and renewal of timber resources on Crown Lands,*
- c) habitat for the maintenance of fish and wildlife populations,*
- d) forest recreation on Crown Lands,*
- e) rehabilitation of Crown Lands, and*
- f) other matters that may be assigned under this Act or the regulations.*

3(2) The Minister shall encourage the management of private forest lands as the primary source of timber for wood processing facilities in the Province consistent with subsection 29(7.1) and, with approval of the Lieutenant-Governor in Council, may initiate programs for such purposes.

6.7 In our Report last year we examined the Minister's responsibilities for private forest lands as mandated under section 3(2) of the Act. We decided to work in private forest lands first because the Act designated these lands as the "primary source of timber for wood processing facilities in the Province."

6.8 We were quite pleased by the degree of attention this work received. It has been referred to a number of times in the media. And a number of interested parties have met with us since the Report was issued to discuss various points of view. This year we continued with phase II of our work by examining the Minister's responsibilities for Crown lands.

Scope

6.9 Our audit objective was:

To determine if there is an adequate system in place to ensure the Department is carrying out its responsibilities as assigned in section 3(1) of the Crown Lands and Forests Act.

6.10 Our approach was to examine high-level accountability processes with respect to those responsibilities. Therefore we focused primarily on public documents issued by the Department and information gained through interviews with departmental employees and key stakeholders from industry and community groups. This included representatives of the New Brunswick Forest Products Association, the New Brunswick Federation of Woodlot Owners, the Wood Products Group, the Conservation Council of New Brunswick, and the Forest Stewardship Council.

6.11 Our chapter is organized by three audit criteria we used in our work. These are:

- The *Crown Lands and Forests Act* and Regulations should clearly define the Department's responsibilities for Crown lands.
- The Department should prepare measurable goals/objectives for managing its responsibilities for Crown lands and these should be disclosed at an appropriate level to the Members of the Legislative Assembly and the general public.
- The Department should have satisfactory procedures in place to measure and report on the effectiveness of its programs to carry out its responsibilities and achieve its objectives for Crown lands.

6.12 Our audit did not include a detailed examination of the forest management plans and operating plans required under the provisions of the *Crown Lands and Forests Act*. Although we examined some of these documents in order to gain a better knowledge of the Department's business, we are not expressing an opinion on the detailed forest management processes carried out by the Department.

Results in brief

6.13 As it relates to Crown lands, the *Crown Lands and Forests Act* is clear. The Minister has been assigned four key responsibilities under the Act. Departmental staff appear to have a clear understanding of those responsibilities.

6.14 Most of the Department's publicly stated goals and objectives are not measurable. It is not clear how the publicly stated goals and objectives link to the four responsibilities assigned to the Minister under the Act.

6.15 The Department should examine the costs and benefits of a certification process for Crown lands. This certification process should include a more formal system for encouraging and obtaining public input into the process of setting objectives for helping the Minister fulfill his responsibilities for Crown lands.

Identifying the responsibilities

6.16 Some of the attributes of the government annual report policy have been complied with, but other aspects need to be improved. Establishing measurable goals will be the first step in a process for improving the annual report. The current annual report lacks sufficient information to show how the Minister did in fulfilling his four responsibilities to develop, utilize, protect and provide integrated management of the resources of the Crown lands of New Brunswick.

6.17 Our first criterion was: *The Crown Lands and Forests Act and Regulations should clearly define the Department's responsibilities for Crown lands.*

6.18 Defining responsibilities is the first step in determining whether the Department has an adequate system in place. That is, if the legislation has defined clear responsibilities, then one could expect that the Department's systems of goals, objectives, programs and reporting could be tied back to that legislation in a relatively direct manner. It is then up to the Minister, and by extension the Department, to try and fulfil those responsibilities and report back to the Legislative Assembly on the results.

6.19 But, on the other hand, if the responsibilities were unclear or inadequately defined, then the Department would have a much more difficult time establishing systems to carry out its responsibilities under the Act.

6.20 As we reported in our audit of Private Forest Lands last year, section 3 of the Act might be called a "high level purpose or mandate section." We believe this section is one of the strengths of the *Crown Lands and Forests Act*. It actually uses the words "the Minister is responsible for"

6.21 Section 3(1), which is the section related to Crown lands, reads as follows:

*The Minister is **responsible** in accordance with this Act and regulations for the **development, utilization, protection and integrated management** of the **resources** of Crown Lands, **including:***

- (a) access to and travel on Crown Lands,*
- (b) harvesting and renewal of timber resources on Crown Lands,*
- (c) habitat for the maintenance of fish and wildlife populations,*
- (d) forest recreation on Crown Lands,*
- (e) rehabilitation of Crown Lands, and*
- (f) other matters that may be assigned under this Act or the regulations. (**emphasis ours**)*

6.22 The Minister then, and by extension the Department, is responsible for four things relating to the resources of Crown lands:

- development;
- utilization;
- protection; and
- integrated management.

6.23 The listing of points (a) through (f) appears to be giving a number of practical examples of what those four responsibilities mean. For example, consider point (c) - *habitat for the maintenance of fish and wildlife populations*. This obviously involves “protection” of a resource – the habitat and the associated fish and wildlife population. But in “protection” of the resource, one can see how the Minister also has to exercise the responsibility for “integrated management.”

6.24 “Integrated management” quickly becomes an issue when various users enter the Crown lands with objectives not related to protection of wildlife habitat. One user’s objective could be related to timber harvesting. Another party may be simply seeking access over Crown land for travel purposes. Another may have a recreation objective. By permitting New Brunswickers with various objectives to enter the Crown lands, it would seem that the Minister would have to carry out some form of “integrated management” in order to satisfy these users yet ensure his responsibility to “protect” the habitat was met.

6.25 Consider a second example of (b) *harvesting and renewal of timber resources on Crown Lands*. Of course this is a direct example of “utilization.” But certainly “protection” is also involved. There is direct “protection” through the program components for fire and insect control. But it could also involve protection of the resource for the future through such things as modelling, planning, forest inventories, etc. These latter areas begin to blend with a third responsibility – “development.” One of the Department’s larger expenditures is for silviculture. This clearly helps develop and renew the resource for the future. And finally, all of the harvesting and renewal activity must be carried on in the face of what the Department refers to as constraints of sustainability and environmental stewardship. In other words, the constraints make the Minister responsible for integrated management of the timber resource.

What is the Minister responsible for?

6.26 The four responsibilities in section 3(1) give the Minister a clear but broad mandate over the resources of Crown lands. Departmental employees understand the breadth of those responsibilities.

6.27 And, in order to carry out the four responsibilities, including integrated management, the Minister must address the needs of many users. In doing so, he is bound to fall short of meeting all the needs or wants of all the users all the time. This in turn would lead to a situation where users were not completely satisfied.

6.28 The Department's position is that it carries out this balancing act in the best interests of the people of New Brunswick. This reflects wording from the Department's 1999 document *A Vision for New Brunswick's Forests*.

6.29 The *Vision* document, as it is commonly referred to, sets forth "the philosophy, principles and direction to be followed in the management of Crown Forests in New Brunswick". The Department addressed the document to two main user groups. For one, it is to "provide direction for Crown Timber Licensees in preparation of their Management Plans". Second, it is to "inform the public about the management of New Brunswick's Crown forest".

6.30 The *Vision* document states:

The mission of the Department of Natural Resources and Energy is to manage the natural resources of the Province in the best interest of its citizens (emphasis ours). This requires the establishment of goals and objectives to be met over time.

The challenge is to define the best balance of often conflicting objectives that will benefit all New Brunswickers. To do so requires an understanding of the positive and negative impacts associated with objective-setting decisions. It is also important to recognize that needs change over time. Consequently, in New Brunswick, Crown land objectives are reviewed every five years to ensure that they reflect the changing needs of society.

Conclusion

6.31 In our opinion this criterion is met. The legislation is clear. The Minister has been assigned four key responsibilities under the Act. Departmental staff appear to have a clear understanding of those responsibilities.

Measurable goals/objectives

6.32 Our second criterion was: *The Department should prepare measurable goals/objectives for managing its responsibilities for Crown lands and these should be disclosed at an appropriate level to the Members of the Legislative Assembly and the general public.*

6.33 The second criterion addresses the next stage in the management cycle. It covers the planning stage where a broad but measurable plan of action is developed in order to fulfil the Department's responsibilities as assigned by the Act. Specific goals and objectives are required in order to focus and disclose the direction of departmental efforts. And the Department should be presenting appropriate strategic information at an appropriate level to Members of the Legislative Assembly and the general public.

6.34 The Crown lands belong to the citizens of New Brunswick. Crown lands are probably the most valuable physical assets the Province owns. They cover millions of hectares of both forested and submerged lands.

The standing value of timber has been estimated at \$3 billion. And they have an extremely significant, albeit much more difficult to assess, value in an environmental, cultural and aesthetic sense. They help purify the water. They provide habitat to fish and wildlife. The importance of these lands is perhaps best summarized by a phrase departmental employees have often used during this audit; that is, the Crown lands are a heritage. Therefore it is more than appropriate to expect an appropriate presentation of key objectives, plans, and performance measures to the citizens.

6.35 The Crown lands also have a pervasive economic impact on the Province. Some estimates say as many as 1 in 8 New Brunswickers can link his or her employment to the forest, 50% of which is Crown land. MLAs and the general public need appropriate high level information to determine whether or not the Crown lands are being managed in a way which can optimize this economic engine.

6.36 It is important to note as well that Crown lands and forests must be managed for the future. The actions the Department takes today have impact for generations to come. A significant mistake today in something such as the information on the annual allowable cut might “tie the hands” of New Brunswickers forty years hence. Therefore, to fulfil their own responsibilities to the future, it is important that the MLAs receive high quality governance information on the Minister’s programs for Crown lands today.

6.37 That’s why we are looking for measurable objectives that are disclosed at an appropriate level to the MLAs and the general public.

6.38 We believe this approach is also supported in principle by the Province’s annual report policy. Subsection 5.1(a) of the policy states:

To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

6.39 Although the policy is focused on end of the year reporting, one can see that good planning is a fundamental assumption. If the departments and agencies are supposed to be giving a clear account of their goals and objectives when the year is finished, it is obvious that they should have had them in place when the year began. And these goals and objectives should be driving the departments’ programs throughout the year.

What are the publicly stated goals/objectives?

6.40 Our criterion focuses on goals/objectives that are provided at an appropriate level to the Members of the Legislative Assembly and the general public. In other words, we are focusing on public documents. In terms of publicly stated goals/objectives for Crown lands, we believe there

are four principal documents (or types of documents) to consider. These are:

- *Main Estimates*
- *Performance Measurement: Supplement to the Main Estimates*
- *Annual Report – Department of Natural Resources and Energy*
- *A Vision for New Brunswick's Forests*

6.41 We have examined all of these documents as part of our audit. In the case of the *Main Estimates*, we have examined the years 1998-1999 through 2001-2002. For the *Supplement to the Main Estimates* and the *Annual Report*, we have examined the years 1998-99 and 1999-2000. The annual report for 2001 is of course not yet prepared. And the government did not produce a *Supplement to the Main Estimates* for the year ending 31 March 2001. Where the *Vision* document is concerned, we examined the version dated December 1999 as revised March 10th, 2000.

6.42 We considered but did not include the document *Licensee Performance Evaluation 1992-1997*. This important summary document is the most recent of a series that evaluates licensee forest management performance at five-year intervals. The next version of the document will be due next year. The document looks at five key aspects of forest management; that is management planning, maintaining a sustainable harvest, integrating harvesting and silviculture activities, wildlife habitat management, and fish habitat protection. It contains eight performance measures, seven of which are expressed in numeric terms.

6.43 While we felt the *Licensee Performance Evaluation 1992-1997* provided good information, we excluded it for a couple of reasons. First, the document appears more oriented towards evaluating performance than towards disclosing goals and objectives. It is a performance document and accordingly we will deal with it in some detail under our third criterion. Secondly, it does not appear to receive as wide a distribution as the other four documents we named, although it is filed in the Legislative Library. This makes it available to the MLAs and the public.

6.44 Exhibit 6.1 provides our summary chart of all the publicly stated goals and/or objectives that appear to relate to Crown lands.

Observations from Exhibit 6.1

Most publicly stated goals/objectives aren't measurable

6.45 One of our primary audit steps was to determine if the goals listed in Exhibit 6.1 are measurable. In our opinion, most are not.

6.46 In examining the twelve goals/objectives in Exhibit 6.1, we have come to the following conclusions:

- The three program objectives stated in the *Main Estimates* and the *Annual Report* are not measurable.
- The three goals stated in the *Supplement to the Main Estimates* and the *Annual Report* do have some measurement component. This is not always established by the wording of the goals themselves, but by the

Targets and Indicators presented with the goals. One could argue whether they are the right measures, and whether they are linked to the four responsibilities. But that is a subject for another discussion. They do appear to meet the test of being measurable.

- Four of the six policy goals in the *Vision* document are not measurable – those for Public Values, Forest Ecosystems, Water and Recreation and Aesthetics.
- Two of the six policy goals in the *Vision* document, although not stated in a fashion which is directly measurable, have wording which suggests measures could be developed. We are referring here to the objectives for Wildlife Habitat and Timber. In the case of Wildlife Habitat, the wording “support populations of native wildlife species at desired levels” does suggest the possibility of accurate measurement. Similarly, the wording “maximize the long-term economic benefits from sustainable timber supply” indicates something that can be quantified (i.e. the economic benefits).

No direct link to four responsibilities

6.47 Note that our criterion states: *the Department should prepare measurable goals/objectives for managing its responsibilities for Crown lands*. Our next audit step focuses on this concept of *managing its responsibilities*.

6.48 In auditing this criterion, we were looking for a rather systematic approach. We looked to see if there was a direct link showing how the publicly stated goals/objectives assisted the Minister in carrying out his responsibilities for Crown lands. For example, one might expect to find explicit statements linking each of the objectives to one or more of the four responsibilities. Alternatively, one could imagine a document organized by four main headings:

- development;
- utilization;
- protection; and
- integrated management.

Exhibit 6.1 - Goals and objectives related to Crown lands

Main Estimates and Annual Report**Forest Management:**

To manage Crown timber resource in accordance with Government Policy.

Fish and Wildlife:

To manage the province's fish and wildlife resources.

Parks and Natural Areas:

To plan, develop, maintain, and operate parks, trails, rivers, conservation areas and ecological reserves.

Supplement to the Main Estimates and Annual Report**Forest Management:**

Maximize the sustainable supply of timber from provincial Crown Land, subject to meeting government's objectives for biodiversity, wildlife habitat and other forest values.

The government of New Brunswick is committed to the best utilization of the Province's forest resource through implementation of its value-added policy.

Fish and Wildlife:

To maintain stable or increasing trends in populations of selected indicator species.

A Vision for New Brunswick's Forests**Public Values:**

To account for public values on Crown Lands.

Forest Ecosystems:

To maintain the diversity of forest ecosystems and their associated ecological values.

Wildlife Habitat:

To provide habitat necessary to support populations of native wildlife species at desired levels across their natural ranges.

Timber:

To maximize the long-term economic benefits from the sustainable timber supply while meeting identified non-timber objectives.

Water:

To protect water quality and maintain aquatic habitat for fish and wildlife species.

Recreation and Aesthetics:

To provide for recreational opportunities on Crown Land.

6.49 Under each of the headings would be various specific statements of results to be achieved over specific periods of time. Or the Department could use a matrix document where the four responsibilities form part of a matrix. Each responsibility is at the head of a column. And each row would have one of the publicly stated goals. By placing some type of symbol or notation in each of the cells, the Department could show how each responsibility was addressed.

6.50 We did not find any systematic approach like that in any of the documents we reviewed. The goals and objectives in the four documents are not linked to the four responsibilities.

Two objectives clearly extend beyond Crown lands

6.51 We discovered one other case where the objective as stated is clearly referring to Crown lands only, but the details presented after the program objective cause one to question if this is the case. The objective for Forest Management as stated in the *Main Estimates* and the *Annual Report* may be somewhat confusing to the reader. The program objective is “to manage **Crown** timber resources in accordance with government policy.”(emphasis ours) It is stated at the very beginning of the section on Forest Management in both documents. Therefore it is one of the first things the reader would see.

6.52 After seeing this objective, members of the Legislative Assembly and the general public might not expect to find that this program also deals with private forest lands. But yet it does. A number of the program components that follow in both the *Main Estimates* and the *Annual Report* clearly relate in part to Private Forest Lands. One component – Private Land Development –has nothing to do with Crown lands at all.

6.53 This brings to mind an issue for discussion. Some areas may not lend themselves to a neat division between Crown and private forest lands. For example, the Fish and Wildlife goal from the *Supplement to the Main Estimates* is stated as “To maintain stable or increasing trends in populations of selected indicator species.” This goal is Province wide. It covers all lands, not just Crown lands. We realize that the mobility of wildlife populations between Crown and private forest lands may pose some unusual challenges in establishing an objective for Crown lands only. But we point it out as an example of how some of the present goals and objectives extend beyond Crown lands.

6.54 Perhaps in these instances the Department may need some manner to distinguish between broader departmental goals and more specific measurable objectives related to Crown lands.

Conclusion

6.55 Because of our observations in this section, we have evaluated this criterion as not met. Most of the publicly stated goals/objectives aren’t measurable. It is not clear how the publicly stated goals and objectives link to the four responsibilities assigned to the Minister under the Act.

6.56 We regard the fact that this criterion is not met as a significant shortcoming. In some ways we feel this criterion is key to the process of fulfilling the Minister's four responsibilities. Earlier we made the observation that because the Crown lands are a heritage with substantial environmental, financial and social impacts, it is extremely important that the MLAs and the citizens be presented with appropriate and measurable goals and objectives regarding the Minister's four responsibilities for Crown lands.

6.57 That the Department does a great deal of detailed planning, particularly in regards to the management agreements, is not being denied. Indeed, the *Vision* document which we have included in our analysis sets the objectives for the Department's management planning with the licensees. Although we examined some of these more detailed documents in order to gain a better knowledge of the Department's business, we want to make clear that we are not expressing an opinion on the detailed forest management processes carried out by the Department.

6.58 In our opinion, the legislators and the general public are not receiving sufficient summary planning information at an appropriate public level. Because of this, they are not in a position to easily determine if the Minister is carrying out his four broad responsibilities for Crown lands. They could not easily answer a question of whether the Minister is planning for a sustainable forest or indeed, what that term sustainable might mean. In simple terms an MLA would not be in a position to know what type of forest he or she could expect constituents to see in twenty or forty years hence. He or she might have a difficult time answering a question on how much work there will be in our rural communities of the future or how a secondary wood producer can continue to secure a source of supply. A citizen might not be able to tell what efforts are being planned regarding access to the Crown lands for future hunting, fishing or recreational opportunities. Those with a strong interest in fish and wildlife or particular forest ecosystems would find it difficult to know how the Minister was taking care of the "habitat for the maintenance of fish and wildlife populations." And all concerned would wonder how much of the public purse was being devoted to any particular objective. Can a citizen know what is being done with their tax dollars to ensure the development, utilization, protection and integrated management of Crown lands? The answer right now would probably have to be "No". At best one might say not without a lot of help and a lot of effort.

Recommendation

6.59 We recommended that the Department establish measurable goals and objectives that adequately address the Minister's four responsibilities as assigned under subsection 3(1) of the *Crown Lands and Forests Act*. These should be disclosed in the Department's key public documents.

Certification process for Crown lands

6.60 Having concluded that it is not clear how the publicly stated goals and objectives link to the four responsibilities assigned to the Minister

under the Act, we would like to offer some direction as to how this may be accomplished. In doing this we make reference to the work performed in the early 1990s by the Premier's Round Table on the Environment and the Economy. The Round Table produced a document titled *A Plan for Action* which set out a number of recommendations. Recommendation #13, in particular, is relevant and it appeared in the section of the report titled "Forests".

6.61 The goals for this "Forests" section was:

To have forests that maintain their ecological functions, yield the resources for current and expanded economic activity, provide adequate protective habitat for all species, and satisfy recreational and aesthetic needs.

6.62 The original recommendation #13 reads as follows:

Recommendation 13: Test the public participation mechanism described in the proposed model in a forest pilot project in Northern New Brunswick. Under this model, public participation would begin at an early stage in the development process and non-timber uses of the forest would be introduced as part of the objectives of the overall management plan instead of as constraints tacked onto an existing timber management plan. The intention would be to adopt this model province wide.

6.63 The Round Table, as part of a follow-up on the *Plan for Action* document, made the following comments in January 2000 concerning the degree of progress the government had made with the recommendation. The Round Table also added its response to this progress statement, providing a current view on the direction it would recommend for the government:

Progress: *The five-year management planning cycle for Crown Land is being reviewed to include biodiversity objectives. Additional changes to buffer strip management and mature coniferous requirements have already been added to the management plan. A consistent public input process which would involve the public in the development of the forest management objectives has not been established. The licensees are requested to hold public information sessions during the preparation of their five year plan, however, no specific guidelines have been established to support this process.*

Response: *We are pleased to see that government will be adding biodiversity objectives within the next planning cycle. However, we support the process of developing a comprehensive public review which will involve the public in setting goals and objectives for forest management on crown land. The development of a certification¹ program for the*

provincial Crown lands would require the development of a comprehensive public participation process. (emphasis ours)

6.64 Based on the documentation reviewed and the interviews we have held both inside and outside the Department, we would have to agree with the Round Table's January 2000 assessment. We are aware from our discussion that the matter of more comprehensive public review is a sensitive one. One might call it a "hot button" in terms of the reaction it has sometimes provoked both inside and outside the Department. There appears to be a variety of strong feelings on how "comprehensive" this public participation should be. In our opinion, it is not an issue that will quietly disappear.

6.65 As the Round Table has pointed out, and as the *Vision* document notes, the Department has already made some provision for public input. The Protected Areas Strategy and the discussion of the disposition of the Tracadie Military Range have been two recent examples of public participation. We also noted that the Department's 1997 Management Planning Schedule (which was used in designing the five-year management plans for the current management cycle of 1997-2002) lists "development by DNRE of 1997 management plan objectives through public participation" as its very first step.

6.66 Our discussions with various stakeholders and the Round Table's conclusion would seem to indicate that the Department may have further to go in this regard.

6.67 This could be where the role of certification of forest lands as discussed by the Round Table plays a key role. Certification would require all users to be involved in an objective setting process. This process, to confront and integrate various concerns and objectives in a forum that is reviewed by a credible third party agency, could help the Department in establishing measureable goals and objectives related to the Minister's four responsibilities for Crown lands. In an environment where users represent various interest groups, the credibility added by third party certification can't be underestimated.

Recommendation

6.68 We recommended that the Department examine the costs and benefits of a certification process for Crown lands. This certification process should include a more formal system for encouraging and obtaining public input into the process of setting objectives for helping the Minister fulfil his responsibilities for Crown lands.

Performance reporting

6.69 Our third criterion was: *The Department should have satisfactory procedures in place to measure and report on the effectiveness of its*

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1. Certification is the term commonly applied to harvesting and production procedures that are independently audited to guarantee sustainable forestry. (Source: World Wildlife Fund Canada website)

programs to carry out its responsibilities and achieve its objectives for Crown lands.

6.70 Our second criterion focused on whether measurable goals and objectives were established consistent with the four responsibilities given under section 3(1) of the Act. Our third criterion measures whether the Department has satisfactory procedures to report on the effectiveness of its programs to carry out its responsibilities for Crown lands. Included with this is reporting on the achievement of these goals and objectives.

6.71 We believe that the Province's annual report policy provides the direction needed as to what reporting procedures are required. Section 4 of the policy states:

The prime function of an annual report is to be the major accountability document by departments and agencies for the Legislative Assembly and the general public. It serves as the key public link between the objectives and plans of a government entity and the results obtained.

6.72 Section 5.1 of the policy also provides direction on the content of annual reports. It states:

a. To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

b. Actual and budget financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance are to be included in all annual reports.

c. Annual reports should be written in clear and simple language, avoiding technical terms and phrases as much as possible. Where technical terms are unavoidable, a glossary should be included to explain the terms for the non-technical reader.

d. Photographs are not to be used in annual reports, but departments and agencies are encouraged to include tables, graphs and charts where their inclusion will aid the reader in better understanding the statistics that are being presented.

6.73 The policy also requires that reports should be tabled by November 1.

6.74 Our approach to this criterion was to review the Department's compliance with the requirements stemming from section 5 of the annual report policy.

6.75 We used the Department's *1999-2000 Annual Report* in this examination since it was the latest available report at the time of our audit.

A clear account of goals, objectives

6.76 Earlier in this chapter we focused on the formulation and disclosure of measurable goals and objectives. In Exhibit 6.1 we presented the Department's goals/objectives from four public documents including the *Main Estimates*, the *Supplement to the Main Estimates*, the *Annual Report* and the *Vision* document. We were attempting to determine if measurable goals/objectives were developed sufficient to inform the MLAs and the public that the Minister has adequately planned for his four responsibilities under the Act. Since we concluded that clear and measurable goals and objectives were not developed in this respect, the Department's current annual report cannot give a clear account of them.

6.77 That being said, we would like to note that one positive aspect of the *1999-2000 Annual Report* is that it is organized by the same program objectives that are listed in the *Main Estimates*. And the budget figures from the *Main Estimates* have also been included in the various program sections of the annual report. This consistency is important. It establishes the Department's intention to link the planning and budgeting process to the reporting of results at the end of the period.

6.78 Some would argue that for information on goals and objectives to be truly useful, it must be linked to the planned level of resources dedicated to the task. Certainly information on the planned level of financial and human resources is an important part of the discussion of goals and objectives. We would encourage the Department to consider this in the future as currently only three of the goals from Exhibit 6.1 are linked directly to resources.

Recommendation

6.79 We recommended that departmental goals and objectives be linked to the spending estimates and they be disclosed at an appropriate level to the MLAs and the general public.

**A clear account of . . .
performance indicators**

**Sufficient information on
how well the organization
performed in achieving its
plans**

6.80 Performance indicators and performance measures¹ lay out the targets which can be used to help the reader know whether or not the organization's goals and objectives have been achieved. The introduction to *Performance Measurement: Supplement to the Main Estimates 1999-2000* puts it this way:

Performance indicators demonstrate the mission and goals of departments, and relate their mandates to the strategic goals of government. These measures present realistic and challenging targets for departments to strive toward and become accountable to achieve.

6.81 The annual report should show how the organization did in relation to the targets. Were they met? Then once the performance measures/indicators are presented in the annual report, the Department has some obligation to explain them. In other words, what do the performance measures and indicators mean? Why was a target met or not met? What circumstances occurred? What is the context in which a certain level of performance was achieved? In our opinion, these are the types of questions the annual report should address in helping the reader know "how well the organization did in achieving its plans."

6.82 As we have noted, some of the goals/objectives in the annual report are not measurable. They do not have performance measures or indicators attached. In addition, we have also noted our concerns that the goals and objectives are not explicitly tied to the four responsibilities assigned to the Minister under the *Crown Lands and Forests Act*. We have recommended that the Department revisit its publicly stated goals/objectives.

6.83 But that being said, we would like to comment on some performance measures or indicators the Department is currently using. First we would like to discuss the "Performance Management" section of the *Annual Report*. In this section two departmental goals are tied into performance indicators. This is a positive move. Each of the goals has at least one indicator and related numeric targets attached. We display these below in Exhibit 6.2.

6.84 We offer some comments on each of these indicators in the paragraphs that follow. At the same time we recognize that developing indicators is a challenging process. We are pleased to see the work the Department has done and we want to recognize that. The Department has been frank and open with us in discussing the difficulties in developing

1. Performance indicators are sometimes used as a synonym for performance measure but, strictly defined, indicators are indirect or prima facie evidence, used when direct measures are not available or are difficult to obtain. Performance indicators provide indirect information on the achievement of an objective, while performance measures provide direct information. A performance measure is a clear, unambiguous expression of performance that can readily be expressed in relation to targets set. (Source – *Public Performance Reporting Glossary*, Canadian Council of Legislative Auditors, 1999).

certain indicators. There appears to be an openness to revisit these performance indicators and that is encouraging. We trust therefore that our comments will not be taken so much as criticism but more as advice.

***Forest Management,
Indicator 1: Annual Allowable
Cut***

6.85 We found this indicator and the related target a bit difficult to understand. Based on the term annual allowable cut, one would expect to know whether the forests are being cut at a sustainable rate. How does the harvest compare to the sustainable annual allowable cut?

6.86 It appears that instead the measure is dealing with the effect of the silviculture program. That is, the effect of silviculture is to increase the annual allowable cut. Therefore, the Department presents information on how much silviculture is planned and/or done. It is not clear though whether these numbers have met the targets for silviculture treatment. And it is not obvious whether this level of treatment has allowed the Department to increase the annual allowable cut in its planning models by the percentages anticipated.

6.87 Information on silviculture is important. It relates to the Minister's responsibilities of development and protection of the resources. But in our opinion, this indicator lacks some clarity. It requires a lot more to let the reader know how the Department did in achieving its plans.

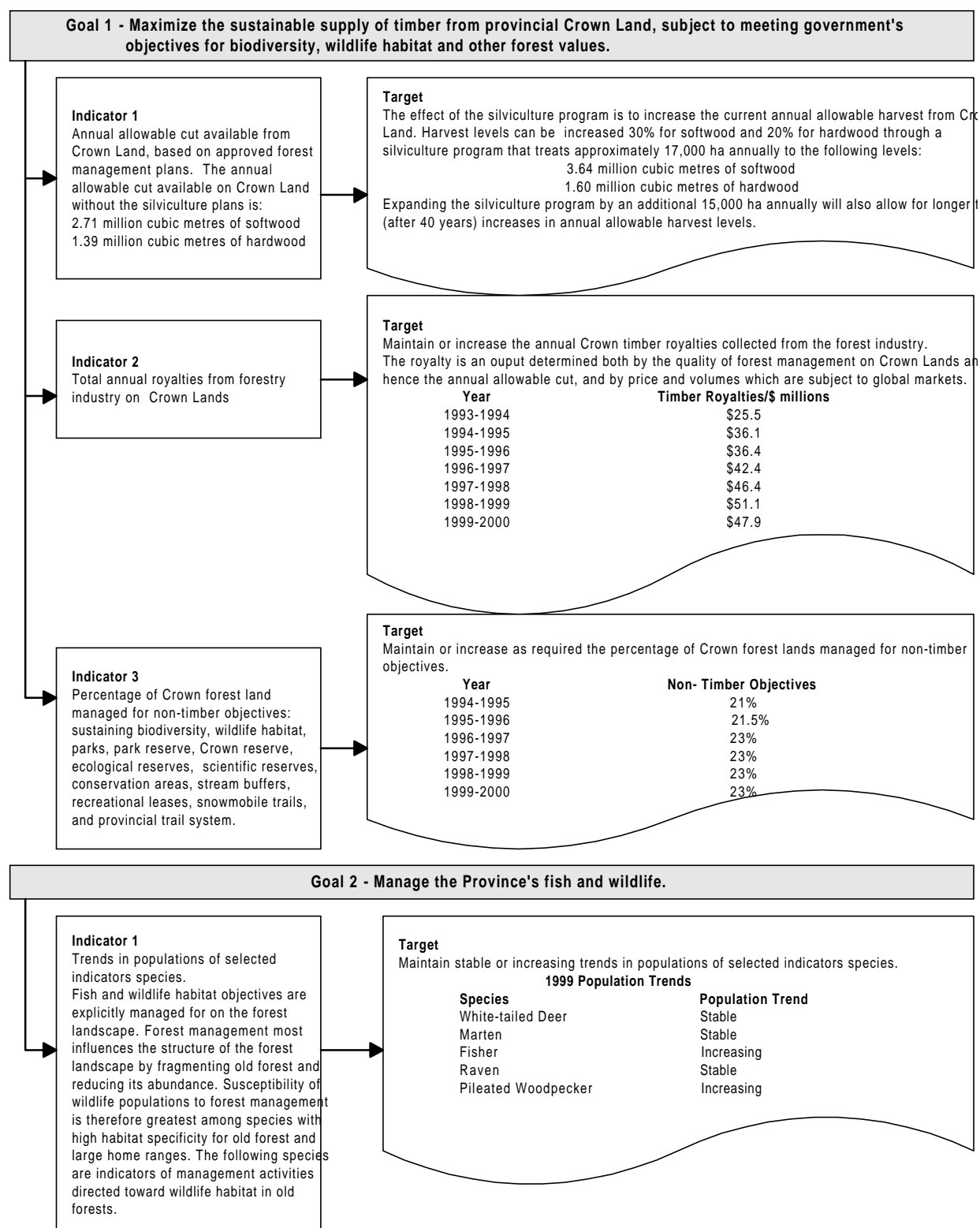
***Forest Management,
Indicator 2: Annual Royalties***

6.88 The Department reports the annual Crown timber royalties collected from the forest industry. It provides comparative information for the last seven years. The target for this indicator is to maintain or increase royalties collected from the forest industry.

6.89 There is no clear relation of royalty revenue to the Department's legislated responsibilities. It provides some measure of the total economic benefits that Crown lands provide to the people of New Brunswick. And in that way it could be said to be related to the utilization responsibility. But it probably requires some enhancement. For instance, is the Province receiving a "fair" share of the revenue from these resources? By simply measuring an increase, this question is not addressed. One might also ask if the current level of royalties is encouraging "development" and "utilization" of the resource by assuring it provides producers the means to a "fair" profit? Does the royalty provide the Province with enough funds to enable the Minister to "protect" the resources of Crown lands? This is another question this "annual royalties" indicator could address. We discuss the issue of royalties further in our analysis of information on other aspects of financial performance.

Exhibit 6.2

Excerpts from "Performance Management" section of 1999-2000 Annual Report



**Forest Management,
Indicator 3: Crown land
managed for non-timber
objectives**

6.90 The target for this indicator is to maintain or increase, as required, the percentage of Crown forestlands managed for non-timber objectives. It is provided on a comparative basis for the last several years. This measure appears to relate to the responsibility of utilization since this indicator relates to use of Crown land for other than timber objectives. It would also seem to be a measure that could be related to the function of integrated management in that the same land can be managed for both timber and non-timber objectives.

6.91 This percentage is interesting. But it raises the question of what percentage is the right percentage? What do these percentages mean? What does the percentage of 23% for the last several years mean? Again, this is another indicator that could benefit from further elaboration.

**Fish & Wildlife, Indicator 1:
Trends in Indicator Species**

6.92 The Department reports the trends in populations of selected indicator species. The target is to maintain stable or increasing trends in populations of selected indicator species. This indicator does relate quite clearly to the Department's responsibility of protection. Maintenance of wildlife populations of indicator species provides information on the population of the species and also the maintenance of their habitat. There is a direct reference to protection of habitat in section 3(1) of the Act.

6.93 The public may desire more information on more species and the inclusion of plants and fish populations. For example, the five indicator species do not include a type of fish. However the information provided is presented in a way that is useful to the public. A measurable goal is established and reported in a clear manner. It is a reasonable indicator of outcome.

**Has the Department
provided adequate
performance indicators?**

6.94 The four indicators discussed above do report some significant outputs, and "Trends in Indicators Species" does provide one good measure of outcome. However, the four indicators only partially address the legislated mandate.

6.95 As mentioned previously the *Crown Lands and Forests Act* has mandated responsibility to the Department for four things relating to the resources of Crown lands:

- development;
- utilization;
- protection; and
- integrated management.

6.96 In order to demonstrate accountability for these responsibilities, the Annual Report must indicate how the Department addressed each responsibility and how successful the Department was at addressing it.

Recommendation

6.97 We recommended that as part of establishing objectives related to its responsibilities under the Act, the Department develop

suitable performance measures and that it report on them on an appropriate basis.

Additional document reviewed

6.98 As we noted under our second criterion, every five years the Department does prepare a document that evaluates certain performance criteria against plans or targets. This is the *Licensee Performance Evaluation 1992-1997*. A summary of the latest available report is shown in Exhibit 6.3.

6.99 This document contains eight performance measures. Although not explicitly linked to the four responsibilities, there does appear to be potential to do so. For example, the three measures on wildlife habitat can be linked it seems to the “protection” responsibility.

Exhibit 6.3

Summary of performance of Crown Timber Licensees for period 1992-1997

Components of the Evaluation Criteria	Performance Measurement	Acceptable Threshold	Licensee Performance Levels (Percent)									
			1	2	3	4	5	6	7	8	9	10
Management Planning	Standards for Forest Management plans relating to method of construction, content and timing of information.	Acceptance by RRM of initial plan	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Harvest Schedule	% of total softwood volume harvested which was sourced from Period I harvest blocks of the Management Plan.	95%	100	100	100	100	100	100	100	100	100	100
Basic Silviculture	% of basic silviculture requirement which was completed to acceptable standards.	95%	99	102	***	97	172	165	151	133	111	****
Remedial Treatments	% of area of 1983-1990 plantations designated for stocking and/or density modification which have been treated to acceptable standards.	95%	38	1	34	8	****	0	37	4	100	9
Watercourse Crossings	% of watercourse crossings which have been installed to acceptable standards.	95%	98	95	97	99	96	99	96	98	96	98
Wildlife Habitat	1. % of harvest blocks in or adjacent to site specific wildlife habitat for which penalties were not incurred for harvesting without approval.	95%	98	100	100	100	100	100	99	100	98	99
	2. % of harvest blocks in site specific wildlife habitat which achieved harvest prescriptions.	95%	94	*	100	100	*	100	99	100	96	96
	3. % of the DWAMU area identified for Period I for which Management Plans were submitted and implemented.	75%	141	**	104	98	**	29	38	100	100	23

* Harvest prescriptions for site specific wildlife habitat were not developed.

** The DWAMU land base was not modelled for habitat intervention.

*** The basic silviculture achievement is averaged across the two Repap licenses due to a shortfall of eligible treatment areas on license number 4.

**** Current licensee; Eagle Forest Products Ltd., assumed management responsibility in latter half of period.

***** The area of basic silviculture treated on the Restigouche-Tobique license includes 722 ha completed by the Region under job creation projects.

Licensees

- | | |
|---|---|
| 1. Upsalquitch – Avenor Maritimes Inc. | 6. Queens-Charlotte – J. D. Irving, Limited |
| 2. Nepisiquit – Stone Container (Canada) Inc. | 7. Fundy – Irving Pulp & Paper Limited |
| 3. Lower Miramichi – Repap New Brunswick | 8. York – St. Anne-Nackawic Pulp Company Ltd. |
| 4. Upper Miramichi – Repap New Brunswick | 9. Carleton – Juniper Lumber Co. Ltd. |
| 5. Kent – Eagle Forest Products Ltd. | 10. Restigouche-Tobique – Fraser Papers Inc |

6.100 This report defines acceptable levels of performance for several key aspects of each licensee's management plan. It then evaluates the performance of each licensee according to each of these measures.

6.101 Corrective measures have been taken against licensees who failed to comply with the requirements and the Department indicates that the licensees have successfully addressed these issues.

6.102 This is important accountability information. It provides very useful information on how well the Department and the licensees did in achieving the management plan. The document is filed at the Legislative Library where it can be viewed by MLAs, interest groups and the general public. That is a useful exercise. But we believe that this important summary information should be provided in the Department's main accountability document, the annual report.

Recommendations

6.103 We recommended that the Summary of Performance of Crown Timber Licensees be published in the Department's annual report at the conclusion of each five-year management plan. The Department should also consider an annual update on progress made regarding outstanding deficiencies.

6.104 We recommended that the performance measures in the "Summary" be linked to the Minister's four responsibilities for Crown lands.

Sufficient information on the extent to which a program continues to be relevant

6.105 Relevance is defined as the extent to which a program or line of business continues to make sense in regard to the problems or conditions it is intended to address. The attribute of relevance is a difficult one for an organization to assess. It is perhaps the most challenging of the requirements given in the policy.

6.106 We could not readily find any systematic discussion of relevance – any "information and advice that the governing body (could) use as a basis for considering the continuing need of the program and/or the program mandate."¹

Recommendation

6.107 We recommended that the Department provide information on the relevancy of its programs for Crown lands in its annual report.

Sufficient information on how well a program was accepted by its client groups

6.108 The Canadian Council of Forest Ministers in 1997 issued "Criteria and Indicators of Sustainable Forest Management in Canada - Progress to date". It stated:

In preparation for the 1992 United Nations World Commission on Environment and Development, our country led efforts to broaden the scope of forest issues ... to give balanced

1. *Accountability, Performance Reporting, Comprehensive Audit – An Integrated Perspective*, 1996 CCAF-FCVI

consideration to environmental, social and economic objectives.

6.109 Balancing these various objectives makes it difficult to satisfy all users and interest groups at any one time. But it would seem to be one way to summarize the challenge facing the Minister in achieving the responsibility for integrated management.

6.110 We did not find any discussion of client acceptance in the Department's annual report.

**Actual and budget financial
information in summary
form and a narrative
explaining major variances**

6.111 The requirements of this attribute are fairly straightforward. The idea is for the Department to disclose the difference between the financial plan that was presented to and accepted by the Legislature in the *Main Estimates* process and the actual financial results when the year is over. Further, where there are significant variances the report should explore the reasons for the difference. This is basic accountability information.

6.112 The *Annual Report* for 1999-2000 contains a Financial Overview of Ordinary Account Expenditures which compares actual to budgeted expenditure by program. This overview contains information on all three programs with objectives relating to Crown lands (i.e. Forest Management, Fish and Wildlife, and Parks and Natural Areas – see Exhibit 6.1). The table lists the actual variance for the three programs. The Department has not provided any variance explanations but this is probably because staff did not believe that the variances were major.

6.113 The Department's annual report contains a second table titled "Total Expenditures Fiscal 1999-2000". This table is quite useful as it contains total expenditures for the three programs related to Crown lands. In other words, in addition to the Ordinary Account amounts, it shows funding from other sources. We produce excerpts from this table below as Exhibit 6.4.

6.114 As one can see the additional funding from other sources is quite significant. In the case of Forest Management it is close to \$10 million. This is useful information for the reader. And we are pleased to see that the Department provides it.

6.115 As can be seen, this same table also provides information on revenues for each of the programs. Again, this information is useful to the reader. We encourage the Department to continue to provide it.

6.116 One weakness in this table is that no budget to actual is given. In our opinion, the budget and actual figures should be compared, and significant variances should be explained.

Exhibit 6.4

Total expenditures for Crown lands programs

	Total Expenditures by Program	Revenues by Program
Forest Management		
Ordinary Account (A)	\$43,081,800	
Regional Development Corporation Funds (B)	5,477,300	
Environmental Trust Fund (C)	4,056,300	
Capital Development Projects (D)	61,300	
Total	\$52,676,700	\$56,708,000
Fish and Wildlife Management		
Ordinary Account (A)	\$ 8,454,100	
Regional Development Corporation Funds (B)	48,000	
Environmental Trust Fund (C)	640,600	
Total	\$ 9,142,700	\$ 4,160,300
Parks and Natural Areas		
Ordinary Account (A)	\$ 2,341,600	
Regional Development Corporation Funds (B)	473,600	
Environmental Trust Fund (C)	2,499,700	
Capital Development Projects (D)	550,200	
Total	\$ 5,865,100	\$ 84,300

Recommendation

6.117 We recommended that the Annual Report of the Department provide actual and budget financial information in summary form and a narrative explaining major variances for all major types of revenue and expenditures.

Sufficient information on other aspects of financial performance

6.118 Although this attribute of the policy is somewhat vague, it may have significant application for Crown lands management. It calls for departments to provide sufficient information on other aspects of financial performance in addition to a comparison of actual results to budget. It would seem the policy is indicating there may be additional areas of financial performance that are important in order to make the annual report the key accountability document for the Members of the Legislative Assembly and the general public. The policy allows the Department discretion in determining what these “other aspects” might be.

6.119 The Department is doing some reporting on other aspects already. The 1999-2000 report contains information on the costs of air operations for forest fire suppression in Table 6. Table 10 contains information on royalties provided to First Nations from their harvesting activities.

6.120 Some of the comments that came to our attention during the audit might suggest other aspects the Department could consider. For instance, in a couple of recent sessions of Public Accounts, Members have asked questions about the revenues and expenses from Crown lands.

6.121 In our opinion a supplemental statement showing the applicable costs and revenues in a business-like manner might address the more vocal

assertions that the Department is "giving away" the Crown resources or unfairly competing with the private sector. A discussion of targets, rates of return or comparative figures might also be useful. These are all examples of "other aspects of financial performance" that would help enhance the annual report as the key accountability document for the Members and the public.

Recommendation

6.122 We recommended that the Department report other aspects of financial performance related to Crown land. This could include a statement clearly showing all the revenues and expenditures it incurs in the "business" of harvesting of Crown wood.

A report written in clear and simple language, avoiding technical terms and phrases as much as possible.

6.123 Is the Annual Report understandable? We have read through the Department's 1999-2000 *Annual Report* and found the style and language to be quite readable. It does not require a specialist level of knowledge to grasp. The report meets this requirement of the annual report policy.

No photographs

6.124 The report does not contain any photographs. It is in compliance with the policy.

Tables, graphs and charts

6.125 The policy states "departments and agencies are encouraged to include tables, graphs and charts where their inclusion will aid the reader in better understanding the statistics that are being presented". We took the word "encouraged" to signify that this was, in a sense, an optional part of the policy. But it is encouraged to help the reader understand the department's operations.

6.126 The Department's *Annual Report* has several tables that relate to Crown lands. These include Table 1- showing the area and the licensee for each Crown license; Tables 3 & 4 which discuss silviculture on Crown lands; Table 8 which is a scale report by license; Table 9 which shows the total primary forest products harvested on Crown lands; and Table 17 on Crown land leases. These are useful contributions to the report.

6.127 The tables seem relatively easy to understand. And a number of them are referred to in the body of the report. It might make the report a bit more understandable if each of the tables was also cross-referenced back to the relevant section of the body of the report. Alternatively, where the table is not easily linked to the body of the report, there could be a brief explanatory note from the Department.

Report tabled by 1 November

6.128 The policy requires that annual reports be tabled by 1 November with the Clerk of the Legislative Assembly. We checked with the Clerk's Office and found that the Department's Report for 1999-2000 was not tabled until 15 December. Over the last four years the report has been tabled as early as 29 November and as late as 17 December.

Recommendation

6.129 We recommended the Department table its annual report by the 1 November deadline.

Conclusion

6.130 The criterion is partially met. Some of the attributes of the policy have been complied with, but other aspects need to be improved. Establishing measurable goals will be the first step in a process for improving the annual report. The current annual report lacks sufficient information to show how the Minister did in fulfilling his four responsibilities to develop, utilize, protect and provide integrated management of the resources of the Crown lands of New Brunswick.

Departmental response

6.131 The Deputy Minister of the Department provided the following response to our audit report:

Broadly speaking, we accept and support the recommendations in the report. Several of the recommendations will require our concerted attention, over a considerable period of time, to properly address them. However, we do not contest their worth or logic.

At the same time, I note considerable emphasis on timber management (compared to other aspects of Crown land management) in the report. For example, the document "A Vision for New Brunswick's Forests" is referenced, but not "A Wildlife Policy for New Brunswick", or some other departmental documents. I mention this because it bears directly on our response to the recommendations. In fact, the management of Crown land affects most of the Department's Branches and programs. If we limited our focus to the Forest Management Branch and its programs, our response would be considerably simpler than will actually be the case.

A significant portion of the report deals with formal objectives, in the context of the Minister's Crown Lands and Forests Act responsibilities, with individual recommendations:

That the Department establish measurable goals and objectives;

That these should be linked to spending estimates, and disclosed at an appropriate level;

That the Department develop suitable performance measures and report on them appropriately.

The Department recognizes the importance of workable goals and objectives. We shall continue to develop these in concert with the government's objectives and values.

We recognize, as well, the potential benefits offered by forest certification. Discussions are ongoing with Crown Timber Licensees on implementation of certification standards on Crown lands.

The report recommends that the Annual Report present the Summary of Performance of Crown Timber Licensees. We plan to do this at the end of each five-year management plan, and link the Summary's performance measures to Crown land responsibilities. We shall also report progress made regarding outstanding deficiencies. Given the length of the Summary, some form of summation appears in order.

We are confident that by establishing measurable goals and objectives, plus performance measures, and linking these to spending estimates, we shall provide a clear demonstration of continuing program relevance.

We also note your recommendations regarding the provision of financial information. We shall make appropriate adjustments in the reporting of future expenditures and revenues. One caution I would bring to your attention is the need to separate Current Year Expenditures from Current Year Revenues, since a direct comparison is frequently misleading.

Finally, we shall pay close attention to the tabling deadline for the Annual Report in future.

Chapter 7

Department of Public Safety High Risk Drivers

Contents

Background	145
Scope	146
Results in brief	147
Identifying and responding to high-risk drivers	148
Student drivers	161
Other observations	167

Department of Public Safety

High Risk Drivers

Background

7.1 The latest available edition of the Department of Transportation's *Motor Vehicle Traffic Collision Statistics* notes there were 10,746 reportable motor vehicle accidents in 1999, the latest year for which statistics have been published¹. A reportable accident is a term given to "an accident resulting in injury to or death of any person or total property damage to an apparent extent of one thousand dollars or more" (Section 130(1) of *Motor Vehicle Act*). The human toll is heavy with 5,388 persons injured and 110 killed. The human and social costs of these deaths and injuries are extensive.

7.2 Most of these 10,746 accidents involved at least \$1,000 in property damage. And many were obviously much higher than that minimum reportable limit, indicating that multiple millions of dollars of property damage can be related to roadway accidents. When we add to that total the health costs, lost work time, and other factors, we see that motor vehicle accidents have a high and pervasive economic impact on New Brunswickers.

7.3 These factors all contribute to the importance of road safety to our citizens. Because of the importance of these issues, we decided to carry out an audit in this area. We began our work in the autumn of 1999.

7.4 One thing we noted quite quickly is that road safety is not a simple issue. As Transport Canada has stated, "Road safety is a systems problem – few collisions can be attributable solely to a driver, a vehicle or a road deficiency."² Further adding to the complexity is the fact that highway safety is a shared responsibility of the three levels of government in Canada with each jurisdiction having its own distinct levels of responsibility.

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1. The Motor Vehicle Traffic Collision Statistics indicates the total number of reportable accidents has levelled off following a general declining trend. Figures for the last several years are:

<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>
1994	13,574	1997	11,040
1995	12,347	1998	10,425
1996	10,600		

2. As noted in the document *Canadian Road Safety and Public Highway Infrastructure*.

7.5 Within our provincial government itself, there is a division of responsibility among various government agencies. The Department of Transportation is responsible for the design, construction, maintenance and operation of provincial roads. This Department also gathers various accident statistics for use and reflection. The Justice system deals with various charges and tickets that come before the courts and assesses damages in certain proceedings. The Department of Public Safety now administers the *Motor Vehicle Act* (MVA) and is responsible for licensing and monitoring of drivers and vehicles.¹ The Coroner's Office, which is part of the Department of Public Safety, investigates road fatalities and makes suggestions for improvements. And Service New Brunswick now employs the driver examiners who give the road tests to those wishing to be licensed to drive in New Brunswick.

Scope

7.6 We identified over fifteen potential projects in the area of road safety.

7.7 However, given our limited resources, we decided to look at one particular area. After some analysis, we decided to focus on the so-called high-risk drivers of private passenger vehicles.

7.8 This area appealed to us for a number of reasons. First of all, most New Brunswickers can easily identify with it. They are, or have been drivers of private passenger vehicles. Or they depend upon someone who drives them in a private passenger vehicle. They know our road systems and many of the factors that make a driver high risk. And they often understand the implications of various high-risk behaviours.

7.9 Secondly, the private passenger vehicle makes up the vast majority of the registered motor vehicles in the Province. By focusing on private passenger vehicle drivers, we are covering the most numerically significant part of the vehicle population.

7.10 And, thirdly, concentration on the high-risk driver was noted as one of four key areas in the so-called *Road Safety Vision 2001*. This document, which was adopted by all Canadian Ministers responsible for transportation and highway safety, contained a goal to make Canada's roads the safest in the world. *Road Safety Vision 2001* committed the provinces and territories to four key safety priorities; one of these was to develop "more efficient enforcement to deal with problem areas, e.g. impaired driving, non use of seat belts, repeat offenders, high-risk drivers."

7.11 We drafted two specific objectives to focus on high-risk drivers. The first was "to determine if there is a system in place to identify and respond appropriately to high-risk drivers." The second objective focused directly on one specific class of high-risk driver – the so-called student

1. When we began our audit, the Motor Vehicle Division was in the Department of Transportation.

driver. Our objective here was “to determine if training and testing processes for student drivers maximizes the potential contribution to road safety.”

7.12 The bulk of our work was performed in the Department of Public Safety, primarily within the Motor Vehicle Division. We also had meetings with representatives from Service New Brunswick and the Department of Transportation. As part of our work, we also contacted policing agencies, the insurance industry, academic researchers, and an expert in adaptive driving services.

7.13 Our work did not include a detailed test of controls over the information system known as the Driver Records System. While we observed a number of processes in place, our primary focus was not a systems audit so we are not expressing an opinion on the adequacy of the control systems.

Results in brief

7.14 The Department has a number of practices in place to identify high-risk drivers. We recommended the Department consider expanding the current practice of reviewing drivers who have three accidents in a twelve-month period. We would also encourage the Department to do more to ensure the physicians and optometrists are fulfilling their statutory obligations. In our view, the Department should assign clear responsibility for ongoing monitoring and updating of the definition of high-risk drivers.

7.15 The Department has an objective system for determining when driving privileges should be suspended or revoked. Although it has some re-testing and re-education programs, we believe these could be expanded, particularly through the use of the Registrar’s discretionary power to require a retest.

7.16 The Department inspected each licensed driver training school in the Province in 2000 to ensure the facilities and teaching materials satisfy the terms and conditions set out in the *Motor Vehicle Act* and Regulations. However, a formal school inspection policy needs to be documented. The Department also has a combination of written and practical testing to ensure that individual instructors are licensed and maintain their knowledge level, although the instructors’ test should be improved.

7.17 In our opinion the Department does not satisfactorily measure and report on the effectiveness of student driver training. There has been no analysis to justify the reduced stage one time for students taking driver-training courses. The Department needs to develop better statistics to allow it to examine pass/fail rates specifically for novice drivers.

7.18 There is an opportunity in the Department for one position, such as that of the Registrar, to play a pro-active role in encouraging and promoting road safety.

Identifying and responding to high-risk drivers

7.19 Our first objective was:

To determine if there is a system in place to identify and respond appropriately to high-risk drivers.

7.20 We developed three criteria to assist us in auditing this audit objective.

Identifying high-risk drivers

7.21 Our first criterion states “there should be an adequate process in place to identify individuals who are high-risk drivers”. In our view, this “adequate process” involves several important elements. The first aspect of identifying a high-risk driver is to define what is meant by that term. In other words when it comes to identifying “high risk drivers”, you have to know what you are looking for. Once that term is defined, it should be documented formally (such as in policy and procedures) in order to direct the organization’s efforts.

7.22 The next important aspect is to have an ongoing process to identify those drivers that meet the definition “high risk”. This also involves appropriate documentation of the driver’s high-risk status. In the case of the Motor Vehicle Division, documenting this would be achieved through the Driver Records System.

7.23 The final part of the process is to be proactively updating the definition on an ongoing basis in response to local or national trends. For example, if the Canadian Ministers responsible for transportation and highway safety had an initiative to reduce a particular condition of risk, one would expect the Department would need to revisit the definition. If a particular type of high-risk driver was becoming a concern, the Department could respond with appropriate measures to reduce the incidence of risk.

Defining and documenting high risk

7.24 The Department did not have a definition of “high-risk driver” in place when we began the audit. This is somewhat surprising, as our impression at one time was that high-risk might well have a standard national definition. As mentioned earlier, all Canadian Ministers responsible for transportation and highway safety are signatories to a document called *Road Safety Vision 2001*. This document announced the Ministers’ goal to make Canada’s roads the safest in the world and, in doing so, it established four key safety priorities. One of these was to develop “more efficient enforcement to deal with problem areas, e.g. impaired driving, non use of seat belts, repeat offenders, **high-risk drivers**” (emphasis ours). Given this important national objective, we felt that the Ministers would have established a standard definition of high-risk drivers to share among all the provinces. It would seem such a definition is necessary in order to allow for measurement of performance

against this priority. *Road Safety Vision 2001* did not include any definition of high-risk driver.

7.25 In January 2001, a senior departmental employee was given the task of developing such a definition for use in the audit. His work was documented in an internal departmental memo. It reads in part as follows:

... I assume that a high risk driver is one whose actions, health, experience or knowledge makes the driver a risk to themselves or other drivers on the highway.

7.26 The internal memo contained a number of points that appeared to include various classes or definitions of drivers whose “actions, health, experience or knowledge makes the driver a risk to themselves or other drivers on the highway.” These included:

- New drivers; (this would appear to relate to the “experience/knowledge” components of the definition)
- Those committing infractions under the *Motor Vehicle Act* (MVA) as tracked by the loss of points under the Driver Records System; examples of common infractions include speeding, driving without wearing a seatbelt, etc. (this would appear to relate to the “actions” component of the definition.)
- Those committing driving infractions under the Criminal Code of Canada; a common example is driving while impaired (DWI) but it also includes such things as reckless driving; (as in the previous point, this would appear to relate primarily to the “actions” component of the definition.)
- Drivers with an unusual number of accidents in a short time; currently the Department identifies this as three in a one year period; (this would appear to relate to the “actions” component of the definition, although certainly the “health”, “experience”, and “knowledge” factors could all play a prominent role.)
- Drivers with certain medical conditions (this would clearly relate to the “health” component of the definition.)

7.27 We were pleased to see that the Department did develop this definition. We understand from our discussions that since January it has received wide circulation and acceptance at senior levels in the Department. We also understand that the Department has been involved with a national effort by the Canadian Council of Motor Transport Administrators (CCMTA) which will include defining high-risk as an important part of its work.

Recommendation

7.28 We recommended the Department formally document a definition of high risk driver. To the extent possible, this definition should be consistent with national perspectives.

Departmental response

7.29 CCMTA, through the Task Force on High-risk Drivers, is currently working on a national definition. The Department of Public Safety will embrace the definition of High-risk Drivers approved by the Task Force. Expected timeframe: Fall 2001. Consistent with the other Canadian jurisdictions, New Brunswick will assess the size of its high-risk driver population and its crash involvement by the end of 2002.

Recognizing the high-risk driver

7.30 As we have noted, once the high-risk drivers have been defined, the Department needs to be able to recognize who they are. There has to be a process of recognition before the Department can respond appropriately to these individuals. And this recognition must be documented in the Department's Driver Records System.

7.31 The Department has several recognition procedures in place depending on the type of high-risk drivers being referred to. Exhibit 7.1 shows how the Department recognizes and documents these behaviours.

7.32 Exhibit 7.1 shows that the Department has a relatively robust recognition process in place. This can help to ensure the Department recognizes and records those high-risk drivers that it has defined. This is a key part of the identification process. Following are a few observations on the Department's processes.

Motor Vehicle Act violation warnings

7.33 *Motor Vehicle Act* violations are noted on the driver record in cases of convictions. This is an important source of information for identifying those who are defined as high-risk drivers because of their driving actions. Most of these violations are noted from tickets received from various police forces throughout New Brunswick. Approximately 60,000 tickets are entered onto the Driver Records System each year.

7.34 During our field work, we discussed various aspects of our audit with police representatives. One issue that was brought to our attention was that peace officers, in exercising their lawful discretion, often issue a driver a warning rather than a ticket for certain *Motor Vehicle Act* violations.

7.35 Based on what we were told by a major police force, the number of warnings issued to drivers may be approximately equal to the number of tickets. Warnings, though, are not entered in the Driver Records System. We did note, however, that at least one police force keeps a record of driver warnings for its jurisdiction on its own in-house information system. Officers at this police force use the record of warnings in assessing how to respond to future infractions of the *Motor Vehicle Act* by the same driver. In other words, a driver with no warnings on this police force's system, might be looked upon as less risky than one who has had warnings noted. The police can use this information in exercising their policing powers at a roadside stop.

Exhibit 7.1

High-risk driver identification processes

Type of High-Risk Driver	How High-Risk Drivers are Identified by the Department of Public Safety
<i>New drivers</i>	Graduated licensing program; all drivers required to pass a vision test/road test/written test.
<i>MVA Violations*</i>	<p>This points system program which is tracked through the Driver Records System (DRS) allows for drivers to earn points based on driving experience. New drivers start with four points and earn two additional points per year until a total of ten have been earned. The DRS monitors drivers continually based on the convictions that they receive based on their driving.</p> <p>Most infractions under the MVA involving a moving vehicle result in points being lost if convicted. If a driver loses all points that have been earned then a licence suspension of three months will result. This is an important method of identifying high risk drivers as these are the drivers who have little experience or have multiple infractions.</p>
<i>Criminal Code Violations</i>	Convictions made under the Criminal Code of Canada (CCC) result in the automatic loss of all points and result in a licence suspension and possible prohibition by the courts. All CCC convictions involving the use of a motor vehicle are recorded on a driver record for use in subsequent court proceedings for sentencing.
<i>High Accident Rate</i>	<p>One of the features of the Driver Records System is it identifies drivers who have been involved in three or more accidents in a one year period. The accidents are reviewed and if there appears to be a problem with the driver then the driver is requested to take a test and/or medical. Failure to comply will result in licence suspension.</p> <p>Police agencies may observe a driver operating a vehicle or during the course of investigating an accident, and feel that the driver's skills need to be re-evaluated. They make a recommendation to the Registrar (either on the accident report or as a separate note) to request a medical and/or test. This is followed up and the individual must comply or be suspended. The tests may result in a cancellation or downgrade of the licence.</p>
<i>Medical Condition</i>	<p>In addition to the police ordering a medical as noted above, medical doctors and optometrists are now required by law to report to the Registrar any medical condition that might affect the ability of an individual to safely operate a motor vehicle. The notices are handled by the Driver Qualifications Officer (DQO). Medical reports are reviewed and/or road tests conducted to determine if the driver may continue to hold a particular class of licence. The licence may be cancelled or downgraded depending on the case.</p> <p>Family members or concerned citizens may submit a signed request that a driver be reviewed. The same process is followed with the DQO playing a lead role in handling the requests and ensuring the appropriate action is taken.</p>

* Included here are violations of motor vehicle laws in other North American jurisdictions

7.36 In our opinion, the warnings may be an untapped source the Motor Vehicle Division could also use in “recognizing” certain high-risk drivers. For example, a driver with a number of warnings for speeding over the years may be much more of a risk than a driver with a couple of minor equipment violations under the Act. But yet the Driver Records System would not even recognize the risk associated with the “warnings only” speeder while the driver with faulty equipment could receive a so-called three-point warning notice under section 297(3) of the Act.

7.37 If the warnings were tracked, the Department could also use this information to begin monitoring trends. For example, after a few years the Department would be in a position to know whether warnings were

increasing or decreasing in comparison to tickets. Departmental employees could also assess if there were certain types of behaviours that seemed more likely to attract a warning. This information could be shared with police forces to help them in their work.

7.38 We believe it would be useful for the Department to explore the possibility of adding warnings to the Driver Records System. We recognize that they would add a significant volume of work. Therefore, it would be important to consider the benefits and the costs of this additional source of information to recognize high-risk drivers.

Recommendation

7.39 We recommended the Department carry out a cost-benefit analysis to determine the merits of adding warnings to the Driver Records System.

Departmental response

7.40 *The Department of Public Safety will survey other Canadian jurisdictions on the matter. It will research the pitfalls versus benefits, including legal and cost implications, and report on the feasibility of adding warnings to the Driver Record System by March 31, 2002.*

Re-examining accident indicators

7.41 Twice each week the Motor Vehicle Division receives a report of all drivers who have been involved in three or more accidents in a twelve-month period. As noted in Exhibit 7.1 if a review of the driver record indicates a problem, the driver can be requested to take a retest.

7.42 We find this a positive procedure to help identify a high-risk driver. In fact, we believe the Department should expand this procedure. Perhaps the Registrar should look at every driver who has had four accidents in a two-year period, for example. Or five accidents in a three-year period might identify other high-risk drivers.

Recommendation

7.43 We recommended the Department consider the costs and benefits of expanding the current practice of reviewing three accidents in a twelve-month period. The Department could consider such indicators as four accidents in two years and five accidents in three years.

Departmental response

7.44 *The Department of Public Safety will undertake to adjust its review policy to match the national definition of the High-risk Driver to be determined this fall.*

Role of medical doctors and optometrists

7.45 One of the key components in identifying high-risk drivers is the input provided by medical doctors and optometrists.

7.46 The *Motor Vehicle Act* puts the onus on medical practitioners and optometrists to report certain medical conditions to the Registrar. The pertinent sections are:

309.1(1) A medical practitioner, who has information that reasonably ought to cause the medical practitioner to suspect

*that a person who is apparently of driving age may not, because of physical or mental impairment, disease or condition, be able to operate a motor vehicle with safety on the highways, **shall report** to the Registrar the person's name and address and the information. (emphasis ours)*

*309.2(1) An Optometrist who has information that reasonably ought to cause the Optometrist to suspect that a person who is apparently of driving age may not, because of visual impairment, disease or condition, be able to operate a motor vehicle with safety on the highways, **shall report** to the Registrar the person's name and address and the information. (emphasis ours)*

7.47 Obviously, the Department is highly dependent on the compliance of these professionals in order to identify those who may be high risk because of medical condition. During the audit we inquired about what procedures the Department had in place to ensure these two sections of the Act are complied with. We were informed that no procedures are in place. Staff, however, believe compliance is improving. And they are reluctant to be seen as actively forcing the doctors and optometrists to comply. The feeling is such an approach would hurt the co-operative relationship between the Department and these two groups.

7.48 Nonetheless, we believe more can be done to assist the doctors and optometrists in educating them about their responsibilities under the MVA. Ensuring these professionals carry out their responsibilities under Section 309 is a key part of having an "adequate process" to identify high-risk drivers. Perhaps this could be done through dialogue with the provincial governing bodies for the medical doctors and the optometrists. Possibly the Department could ensure an information package was distributed to each doctor or optometrist opening a new practice in the Province.

Recommendation

7.49 We recommended the Department initiate discussions and ongoing education with the medical practitioners and the optometrists of New Brunswick to help ensure Sections 309.1(1) and 309.2(1) of the MVA are being complied with.

Departmental response

7.50 *A letter will be sent from the Registrar's Office to the New Brunswick Medical Society and Optometrists Association in regards to the CMA Guide and other applicable provisions under the Motor Vehicle Act. The letter will advocate the inclusion of the CMA Guide and other relevant information to be sent to all new medical doctors and optometrists. A request will also be made to do a survey to identify those who have not received a copy of the Guide.*

Updating the definition

7.51 The final part of the process for identifying high-risk drivers is to be proactively updating the definition on an ongoing basis in response to

local or national trends. We would like to offer a few comments on what we think such a proactive approach might entail.

7.52 A couple of the more intriguing documents we reviewed during the audit were the *Road Safety Vision 2001* and, its follow-up, the *Road Safety Vision 2010*. The documents commit the various Canadian jurisdictions to measurable targets.

7.53 Some of these targets and objectives provide a stepping-off point for the Department to be continually examining the definition of high risk. Consider for example, the commitment in *Road Safety Vision 2010* to reduce by 30% “serious injuries and fatalities of pedestrians, motorcyclists and cyclists.” To achieve the 30% reduction, the Department would have to place a special watch on this category of high-risk practices.

7.54 This could include such things as expanding the accident review criteria. For example, in addition to reviewing three accidents in a year, the Department could start looking at all accidents involving serious injury or death to pedestrians, motorcyclists and cyclists. Updating of the definition would then have a direct impact on the goal of a 30% reduction.

7.55 The definition of high-risk driver would not be static. It would be revised to reflect such things as these national initiatives. And it would be a key catalyst of action, policy and procedures which would help the Department achieve important change. And all this change would be focused, of course, on making our roadways safer – achieving public safety.

Recommendation

7.56 We recommended the Department assign clear responsibility for ongoing monitoring and updating of the definition of high-risk drivers. Further, this definition process should be a key component of national and provincial change initiatives aimed at improving the safety of our travelling public.

Departmental response

7.57 *The Registrar has been designated to lead the initiative on high-risk drivers and to work closely with the national Task Force.*

Conclusion

7.58 We believe this criterion is partially met. The Department has a number of practices in place to identify high-risk drivers as outlined in Exhibit 7.1. We would like to see an expansion beyond the three accident review and would encourage the Department to do more to ensure the physicians and optometrists are fulfilling their statutory obligations under section 309. In our view, the Department should assign clear responsibility for ongoing monitoring and updating of the definition of high-risk drivers.

Responding appropriately to high-risk drivers

7.59 Our second and third criteria read as follows:

There should be a re-testing¹ and/or re-education program in place for high-risk drivers which is designed to improve the safety of our roadways.

The Department should have a system or a practice in place to objectively assess whether or not the driving privileges of high-risk drivers should be revoked.

7.60 The two criteria summarize the various corrective measures the Department of Public Safety may take against a high-risk driver. They relate to the “respond appropriately” part of our audit objective. We have categorized the Department’s possible responses or corrective measures under the three broad headings of re-education, re-testing and revoking (or suspension) of driving privileges. In our opinion, these appear to be three broad categories of response that the Registrar is permitted to use under the *Motor Vehicle Act* in addressing those drivers the Department has identified as high risk.

7.61 Building on the categories identified earlier in this chapter (see Exhibit 7.1 for a listing of these categories), we have put together a table which summarizes how the Department may respond to high-risk drivers. Exhibit 7.2 shows each category or type of high-risk driver in the first column. In the next three columns we have inserted comments on what actions the Department may take to re-educate, re-test, or suspend high-risk drivers.

7.62 The final column shows our audit comments. In cases where we have observations and/or recommendations around the Department’s response process, we have included a brief note as well as a reference to further discussion in this chapter.

Consideration of expanded re-education program

7.63 In Exhibit 7.2 we pointed out that a driver convicted of a driving while impaired violation under the Criminal Code of Canada, must attend a re-education course prior to being re-licensed. A first conviction requires the high-risk driver to complete a three-hour seminar course. But a second conviction within a three-year period requires a weekend program offered by a third party service provider. The progressive degree of commitment or demand required by the two different courses (i.e. three hours of correspondence study versus a full weekend away from home on a second offence) seems to be well designed. It recognizes that the driver committing a second offence within three years is even more risky than the one-time offender. The “appropriate response” to this driver must be somewhat tougher.

7.64 This DWI program is the only formal re-education program required at this time. In our opinion, the Department should consider extending some type of re-education program to other categories of

1. For purposes of this section, re-testing is considered to include any or all of a written test, an eye examination, a medical examination, and/or a road test.

high-risk drivers. For example, there are various other non DWI offences under the Code that result in automatic suspension (e.g. failure to stop at an accident, dangerous driving). These are serious driving related offences. The Department could consider extending some type of re-education to these drivers.

7.65 There are also several hundred people who lose their licenses each year for *Motor Vehicle Act* violations. In other words, their actions are such that the Registrar must suspend their privileges. The Department should consider a program to re-educate these offenders. This might be particularly relevant in the case of a high-risk driver losing their driving privilege for more than the first time. The person who has lost their licence more than once would seem to be more risky behind the wheel than the driver who lost their licence once years ago but maintained a clean driving record since reinstatement. The “appropriate response” to this additional risk could be re-education.

7.66 The DWI re-education program is essentially offered on a cost recovery basis. The Department has contracted with a third party to provide the service. Each participant pays a fee which is in turn forwarded to the provider to compensate for their services. If the Department established a re-education process for other types of high-risk drivers, this could also be done on a cost-recovery or revenue generating basis.

Recommendation

7.67 We recommended the Department expand its driver re-education courses to include additional types of high-risk driving behaviours.

Departmental response

7.68 *The Department of Public Safety proposes to follow the national approach on this issue.*

Re-testing under section 95(3)

7.69 In Exhibit 7.2 we outlined a number of circumstances in which re-testing could occur. As well, for certain multiple DWI offenders, a re-test may become necessary when they re-apply for their license. This is because the *Motor Vehicle Act* requires that if a driver has been without a licence for over two years, that driver must be re-tested in order to obtain a new licence. With recent amendments to the MVA, some suspensions will last long enough such that a suspended driver will fall outside the two-year rule and will therefore have to be re-tested if they wish to have another licence after the period of suspension. For example, the licence suspension for a second DWI violation increases from one to three years. For the third, and any subsequent offence, it increases from three to five years.

Exhibit 7.2

Public Safety's response to high-risk drivers

Risk Type	Re-education Process	Re-testing	Revoking of Driving Privileges	Our Comments
<i>MVA Violations</i>	<ul style="list-style-type: none"> There is no formal re-education process other than the "three demerit point" warning letter and the "seven demerit point" warning letter. No mandatory re-education, even for multiple suspensions. 	<ul style="list-style-type: none"> None, even if a driver loses all ten points on more than one occasion. Registrar does not appear to ever exercise discretionary power to re-test on application for a renewal under Section 95(3) of MVA. 	<ul style="list-style-type: none"> If a driver loses all points that have been earned then a licence suspension of three months will result. Suspensions reports are generated automatically by Driver Records System (DRS). In year end 31/03/2000, 593 drivers were suspended for MVA violations. 	<ul style="list-style-type: none"> Consider expanded re-education program. (7.58) Consider use of re-testing under 95(3). (7.64)
<i>Criminal Code Violations</i>	<ul style="list-style-type: none"> Re-education is required for a liquor-related offence (DWI); a first offence requires the driver to complete a three-hour seminar; a second offence within three years requires a weekend course. DWI totals 1,733 of the 2,537 CCC offences noted in year end 31/03/2000; no re-education program required for the remaining CCC violations. 	<ul style="list-style-type: none"> Re-testing potential exists for multiple offender (i.e. if their suspension lasts more than two years). Appears to be no use of 95(3). 	<ul style="list-style-type: none"> Convictions made under the Criminal Code result in the automatic loss of all points and result in a licence suspension and possible prohibition by the courts. Multiple CCC convictions result in increasing suspension periods and will result in no appeal being allowed for early reinstatement. May be a problem with undelivered suspensions. Enforcement officials can levy a 24-hour suspension on drivers with a blood alcohol reading between 0.05 and 0.08. 	<ul style="list-style-type: none"> Re-education for non-DWI CCC Violators (7.58) Delivery of suspension. (7.75) Revisit photo I.D. issues.(7.81) Impounding vehicles. (7.83)
<i>High Accident Rate</i>	<ul style="list-style-type: none"> No re-education required. 	<ul style="list-style-type: none"> No systematic application of 95(3). Police while investigating an accident may feel that the driver's skills need to be re-evaluated. They make a recommendation to the Registrar to request a medical and/or test. 	<ul style="list-style-type: none"> The DRS identifies drivers who have been involved in three or more accidents in a one-year period. The accidents are reviewed and if there appears to be a problem with the driver then the driver is requested to take a test and/or medical. Failure to comply will result in licence suspension. If the driver takes the test and fails, the driver is required to surrender the license to the examiner. If police request a re-test, the individual must comply or be suspended; tests may result in a cancellation/downgrade of the licence. 	<ul style="list-style-type: none"> Consider re-testing under 95(3). (7.64)
<i>Medical Condition</i>	<ul style="list-style-type: none"> No re-education required. 	<ul style="list-style-type: none"> Medical doctors and optometrists are required by Section 309 of the MVA to report to the Registrar any medical condition that might affect the ability of an individual to safely operate a motor vehicle. Medical reports are reviewed and /or road tests conducted to determine if the driver may continue to hold a particular class of licence. Police Force representatives may also request a driver take a re-test. Family members or concerned citizens may request that a driver be reviewed. The same process is followed. No use of Section 95(3) other than SNB agents may notice applicant wearing glasses and request an eye test. 	<ul style="list-style-type: none"> If the driver fails the test ordered after a Section 309 (or a police or citizen request) the driver examiner will ask the client to surrender their licence. 	<ul style="list-style-type: none"> Consider mandatory medical testing of aging drivers.(7.71).

7.70 These re-testing procedures all contribute towards making our roadways safer. We do believe, however, that the Department has an excellent opportunity to expand its re-testing to make an even greater contribution to road safety. Section 95(3) of the *Motor Vehicle Act* appears to grant the Registrar broad discretionary power. It states:

*Every such licence is renewable on its expiration, upon application and surrender of the existing licence and payment of the required fee, but **the Registrar in his discretion may require an examination of the applicant as upon an original application.** (emphasis ours)*

7.71 This section allows the Registrar to re-test anyone reapplying for a licence. The Department informed us that it is used sparingly. Officials informed us that about the only time it is used is when a Service New Brunswick clerk in the act of renewing a driver's licence notices a client without a "must wear corrective lenses" restriction is actually wearing glasses.

7.72 No criteria for applying 95(3) are stated in the Act. But in our opinion, this section would offer an excellent tool for the Registrar to use in addressing certain high-risk drivers when their licenses came up for renewal. If drivers became aware that violations of certain sections of the Act had the potential to generate a retest on licence renewal, it might cause drivers to be more circumspect in their behaviour. It would probably not take long for the word to get around that the Registrar was expanding his definition of high-risk and requiring road tests for certain infractions. But this seems to be merely one way that the section might be used.

7.73 We believe it could be expanded to cover a wide variety of high-risk behaviours, particularly for multiple offenders and those who were suspended more than one time. If, for example, the Registrar began ordering tests under 95(3) for those who lost all their points more than once in three years, this could have a deterrent effect. In our opinion, if drivers were aware that they might have to face a retest when renewing after a second suspension, this could encourage some to obey the rules of the road and become a safer driver. The Registrar could promote this new approach to further reduce risk.

Recommendation

7.74 **We recommended the Department adopt criteria to assist the Registrar in a more proactive application of section 95(3).**

Departmental response

7.75 *The Department of Public Safety believes that it is more effective to intervene at the time the driver record reveals a high-risk rather than taking action at the time of renewal.*

Mandatory medical testing

7.76 Closely related to the use of the re-testing provision of 95(3) is the concept of mandatory medical tests for the ageing driver. Common age-related health changes include reduced vision (particularly at night), a

decrease in depth perception and disabilities such as arthritis and rheumatism which limit mobility and slow the driver's response. In recognition of this, seven jurisdictions in Canada have initiated some form of mandatory medical exam after certain age limits. The most common model appears to be a medical exam at age 75, followed by another at age 80, and then every two years after.

7.77 New Brunswick currently has no such exam. The Province appears to be relying on the doctor or optometrist to identify drivers who are a risk to themselves and/or others by reason of health. Unfortunately though, not all these at risk drivers will necessarily be identified by this process. For instance they might not have a family doctor. Or the doctor or optometrist who sees them may be unaware of the legislated responsibility to report.

Recommendation

7.78 We recommended the Province of New Brunswick consider the costs and benefits of joining those other Canadian jurisdictions that have initiated a mandatory medical testing program designed to identify those ageing drivers who pose a risk to themselves or others.

Departmental response

7.79 *The Department will study what other Canadian jurisdictions are accomplishing in this respect and will inquire about existing volunteer and mandatory programs. We will tie in with the Ageing Driver Strategy endorsed by CCMTA.*

Serving of notice of suspension

7.80 In Exhibit 7.2 we have discussed the various circumstances in which suspensions are given. Our criterion stated "the Department should have a system or a practice in place to objectively assess whether or not the driving privileges of high-risk drivers should be revoked." In our opinion, the system is objective. Suspensions are generated automatically from the Driver Records System points system. And the input to the points system is obtained from external objective sources (i.e. police agencies).

7.81 When a suspension is generated from the system, the driver must be notified. The practice is to notify the offender by certified mail. We were informed that since this practice is known by the community at large, some drivers who have violated the MVA will refuse to accept a certified letter. The feeling is that as long as they have not been notified, they can continue to drive. This is despite the fact that sections 13(1) through 13(5) of the Act appear to give the Registrar the authority to revoke driving status even if the notice is not delivered.

7.82 During our field work, we did notice a large number of suspension notices returned by Canada Post. Probably many of these drivers had not yet surrendered their licence since they had not been notified. The Department informed us that despite the clear language of sections 13(1) through 13(5), there have been cases where suspended drivers, who had either not received or accepted the certified letter, were stopped by

enforcement agencies, but could not be convicted of driving while suspended.

7.83 The Department informed us that in some areas police forces will serve these returned suspension notices. This appears to be an excellent way of dealing with the issue. Perhaps the Sheriff's Office could assist in these efforts as well.

Recommendation

7.84 We recommended the Department develop ways to ensure notices of suspension are delivered in a timely fashion to high-risk drivers.

Departmental response

7.85 *The Crown does not wish to pursue the matter of proceeding in court with charges of driving while under suspension if the driver has not accepted delivery of the certified letter. The Department of Public Safety will meet with the Department of Justice to try to arrive at a common understanding on the issue. The Department will also make efforts to search for other cost effective ways to ensure that notices of suspension are delivered in a timely fashion. Legislation is currently being proposed to allow for alternative methods of delivery.*

Revisiting possible legislative amendments

Mandatory photo ID

7.86 One legislative amendment the Department has considered is the use of mandatory photo ID on each driver's licence. Enforcement agencies believe this would help them in their work as it relates to extremely high-risk drivers. That is, in the current situation there is some thought that a small percentage of drivers who are suspended will actually drive and carry someone else's licence with them. Of course, this would have to be a licence without a photo. If stopped by the police, the suspended driver shows a licence without the photo. Therefore, he or she may not be identified as driving a vehicle while suspended.

7.87 Apparently there are some concerns that the \$8 cost of the photo ID may be unacceptable to some drivers. This is said to be the major obstacle to its implementation. On the other hand, it is our understanding that all other Canadian jurisdictions, and all but one of the jurisdictions in the United States, have already implemented mandatory photo ID.

Impounding vehicles

7.88 As noted above, a small percentage of drivers who are suspended will continue to drive. In these cases, it appears the threat of increasing suspension for this very serious offence does not act as a deterrent. Our understanding is that in at least one Canadian jurisdiction the charge of driving while suspended results in the driver's vehicle being impounded. If the lack of a licence does not discourage a suspended individual from driving, then the lack of a vehicle would! At least that seems to be the theory behind this action. And it seems like a highly effective way of dealing with a very high-risk driver.

7.89 We discussed this option with Department of Public Safety staff. There appeared to be some reluctance to propose such legislation in New

Brunswick, largely because of the cost of unpaid towing charges and the hardship impoundment might impose on innocent family members. In our opinion though, the costs and benefits of what seems like an effective technique should be studied.

Recommendation

7.90 We recommended the Department revisit possible legislative changes regarding mandatory photo ID and impounding vehicles to determine if they have merit.

Departmental response

7.91 The Department will revisit and make inquiries with other jurisdictions on their experience with the subject matters.

Conclusions

7.92 In our opinion, the Department partially meets the second criterion. Although it has some re-testing and re-education programs, we believe these could be expanded.

7.93 In our opinion the Department meets the third criterion. It does appear to have an objective system for determining when driving privileges should be suspended or revoked.

Student drivers

7.94 In 1996 the Province put in place a system commonly referred to as “graduated licensing”. This system requires that all novice drivers go through two one-year levels to obtain a full class 5 driver’s permit.

7.95 After having successfully completed the written test, a new driver obtains a class 7 – stage one driving permit. With the stage one permit, the new driver is permitted to drive only under the supervision of a fully licensed driver with no other passengers in the vehicle. After twelve months of learning under the supervision of a licensed driver, the novice driver is permitted to take the road test offered through Service New Brunswick. Upon successful completion of this test, the novice driver obtains a class 7 – stage two permit that eliminates the restriction on passengers and the need to have another licensed driver in the vehicle. The novice driver must wait an additional twelve months to obtain a regular class 5 driver’s license. Under both levels of the class 7 license, the driver’s privileges can be suspended if they have positive readings for blood alcohol. This means that they must have no alcohol in their blood if they are driving.

7.96 This two level class 7 licensing system does have one exception. Drivers passing an approved driver training course can attempt the road test after only four months with the stage one permit. This reduced learning period is permitted in the belief that an organized driver training program can help these student drivers become more effective drivers in a shorter period of time. So-called “student drivers” who take approved training courses constitute one specific class of high-risk drivers.

7.97 Our second objective was “to determine if training and testing processes for student drivers maximizes the potential contribution to road

safety.” We developed three criteria to assist us in auditing under this objective.

Use of qualified instructors

7.98 Our first criterion states that “Only qualified instructors should be permitted to train students.” The criterion focuses on the quality of training of student drivers. One way the government can ensure that the training process for student drivers maximizes their potential contribution to road safety is to ensure that students are only trained by qualified instructors.

Licensing driver training schools

7.99 At the time of our fieldwork, there were 53 licensed driver training schools in the Province. A school that wants to offer a driving course must apply to the Registrar of Motor Vehicles for a license. The terms and conditions that the applicant must satisfy are outlined in a document entitled “Licensing of Driving Schools”. This document includes a copy of Regulation 95-164, policies established by the Registrar, industry standards and other related information and forms.

7.100 The Regulation sets out various requirements for licensing courses at these schools and for granting permits to the driving instructors who provide the training to the student drivers. The Regulation also contains provisions for inspection of the schools.

7.101 Before issuing the initial driving school license, the Department of Public Safety performs an inspection of the training school to ensure the facilities and teaching materials satisfy the terms and conditions set out by the Act and Regulations. We believe that this is a positive step to ensure that driver training schools are properly established from the very first day.

7.102 There is no documented policy or regulation establishing the frequency of inspections. We believe it is important to develop such a policy to ensure that all driving schools are inspected on a consistent and timely basis. The Department informed us current practice is to inspect all schools at least once per year and that a checklist is used on each inspection.

7.103 Documentation on the Department’s inspection summary sheet showed that all 53 schools were inspected in 2000. We randomly tested files for five training schools as part of our audit procedures. The inspection checklist was not on file for two of the five schools tested, although there was other correspondence on file. Because these two inspections were performed at the time that the staff members were being moved to the Department’s new location, it appears that these specific checklists were misplaced. Only one of these five schools was inspected in 1999 and all five were inspected in 1998.

Recommendation

7.104 We recommended that the Department document the existing practices relating to training school inspections, especially those

relating to the frequency of the audits and the documentation requirements.

Departmental response

7.105 *The Department concurs with this recommendation. Steps have already been taken to follow up.*

Permits for driving instructors

7.106 All driver instructors at the training schools must be licensed. Of the five schools that we tested, we found that all instructors were properly licensed.

7.107 In order to issue a license, the Registrar must be satisfied that the applicant is a “fit and proper person”. Every three years, in addition to an extensive road test, each applicant must pass a written test. This test is the same basic written exam that student drivers must pass to get their stage one permit.

7.108 We feel that the test should ensure that instructors have an advanced level of knowledge. The basic test required for a stage one permit is not sufficient for an instructor’s exam.

Recommendation

7.109 **We recommended that an instructor’s test be upgraded to test specific items that a driver-training instructor should know. This will help to ensure that only qualified instructors are permitted to train students.**

Departmental response

7.110 *A new instructor’s test is already in the final draft stage of development with approval required by the Registrar. Translation and implementation will follow this fall.*

Conclusion

7.111 The Regulation establishes the quality standards for schools and individual instructors. The Department inspected each school in 2000 to ensure compliance, although a formal school inspection policy needs to be documented. The Department also has a combination of written and practical testing to ensure that individual instructors are licensed and maintain their knowledge level, although the instructors’ test should be improved. In our opinion, the Department meets this criterion.

Effectiveness of driver training

7.112 Our second criterion states that “There should be an established means to measure and report on the effectiveness of the driver training.” In other words, we are asking does it make sense to encourage novice drivers to take training courses by offering them a reduction in the stage one period?

7.113 The answer might seem obvious or intuitive. But we felt that it would be important to have objective support for the practice of reducing the time spent at stage one for those who take a qualified driver training course.

Three aspects of effectiveness

7.114 There are at least three methods of evaluating the effectiveness of the training courses. The first is a comparison of the pass rates on the road tests of student drivers who took a driver training course versus other novice drivers with no formal driver training. The second measure would be some type of analysis of accident statistics to determine if the trained student driver is a “safer driver.” The third measure would be more subjective – a client satisfaction survey of student drivers.

Comparison of pass rates

7.115 One would assume that the structured training format offered by qualified instructors to student drivers would lead to improved test results as compared to other novice drivers. While the Department does keep statistics on pass/fail rates, it is not immediately clear if the data the Department maintains is capable of answering the question posed; that is, do student drivers perform better on their tests?

7.116 Service New Brunswick performs the actual road tests and compiles most of the testing information, which is in turn shared with the Department of Public Safety. However, both Service New Brunswick and the Department stated that the current method of collecting the information is not producing complete, reliable information relating to pass/fail rates of student drivers. As well, the timeliness and amount of information currently being compiled is not meeting their needs to adequately manage and evaluate various aspects of the driver testing program.

7.117 As a result, we have concluded that the Department is currently unable to effectively evaluate the success of the driver training program and reduction in the time for stage one permits based on analysis of pass/fail rates.

7.118 We feel that information such as the following should be compiled for each driving test:

- Did the new driver take a training course? If so, which training school provided the training?
- Where did the driving test take place?
- Who was the driving examiner?
- Was this the first attempt?

Recommendation

7.119 We recommended that the Department continue to work with Service New Brunswick to ensure that changes are made to the computer systems to allow appropriate information to be compiled in a timely fashion. The Department needs to ensure that these changes will allow it to effectively evaluate the success of the driver training programs.

Departmental response

7.120 *The required changes will be completed by April 2002.*

Analysis of accident statistics

7.121 As we have noted, a reduction in the stage one period is available to student drivers who pass an approved training course. This appears to

be based on the assumption that training by qualified instructors should reduce the risk of accidents being caused by these student drivers. Classroom education and behind the wheel training should help address the key factors of risk-taking and lack of experience. Certainly the driving schools promote the “safety benefits” in marketing their programs. The fact that the insurance industry offers discounts to these student drivers also indicates that they may pose a lower risk than other novice drivers. However, one document we reviewed during the audit indicated the value of time discounts for student-driving programs is not clear. The document “*Graduated Licensing: A Blueprint for North America*” made the following statements:

“Traditional driver education has not reduced crashes, although it can be a superior way to learn basic driving skills. The on-road training it involves also can contribute to a beginner’s driving experience. How to integrate driver education with a graduated licensing system has been the subject of much general discussion and extensive consideration in a recent report . . .” (emphasis ours)

“Graduated licensing works with or without driver education. In jurisdictions that do not already require driver education, the graduated system need not include any such provisions. In jurisdictions that do require driver education, the training should be integrated to complement graduated licensing. Ways should be explored to harmonize the delivery of driver education lessons with multistage graduated licensing requirements. However, there is no justification for time discounts, which have been found to be detrimental.” (emphasis ours)

7.122 This document was prepared by the Insurance Institute for Highway Safety and the Traffic Injury Research Foundation in January 1999. It offers an intriguing perspective on the student driver training issue. It raises questions that can only be answered by a more detailed analysis of the “student driver” component of the graduated licensing program. We are particularly concerned by the statement “*there is no justification for time discounts, which have been found to be detrimental*”. We discussed this statement with Department staff, and they were unable to provide us with any evidence to show that the time discounts are justified in New Brunswick’s case.

7.123 Although there is evidence that graduated licensing in general has been effective, we found no evidence that would justify the Province’s support of the reduction of the stage one time on the basis of promoting road safety.

Recommendation

7.124 We recommended that the Department compare the various accident rate statistics of student drivers versus other novice drivers.

The results should be used to evaluate the merits of the reduction in the stage one period.

Departmental response

7.125 *The Department will undertake to do this activity on all current drivers that have a Class 7(2) driver licence.*

Client satisfaction survey

7.126 A third measure of evaluating effectiveness is a client satisfaction survey. In other words, the Department should ask the student drivers how effective the program was in meeting their particular needs for training. Granted, it is more subjective, but we feel it offers some means to measure and report on the effectiveness of driver training.

7.127 The Department informed us it does contact students on a random basis. The one problem that we did note was that the results of these surveys are not formally included in the training school files. Information in the file was limited to a class list with the students that were called highlighted and comments such as “OK” written on the side. We would have liked to have seen a better indication of the types of questions asked and the student’s response.

Recommendation

7.128 **We recommended that the questions asked and the results of the surveys be formally included in the training school files.**

Departmental response

7.129 *The Department concurs with the recommendation. Implementation will occur as soon as possible and will be communicated to the Licensing and Record Branch.*

Conclusion

7.130 In our opinion the Department does not satisfactorily measure and report on the effectiveness of student driver training. There has been no analysis to justify the reduced stage one time for students taking driver-training courses.

Testing student drivers

7.131 Our third criterion states “Student driver testing should identify those drivers that do not have the knowledge and/or ability to safely drive on our road systems.” In examining this, we were auditing to see if the Department had systems in place to ensure student drivers are tested for knowledge and ability to drive safely.

7.132 To obtain a class 5 license, student drivers must pass vision, written and practical tests. These tests are designed to meet the standards set out by the Canadian Council of Motor Transport Administrators who establish the national guidelines. In other words, they are examined in exactly the same manner as others who have not taken training courses.

7.133 One area relating to driver testing in general (not just student driver testing) that concerned us was the large variances in the pass/fail rates on the road tests by examiner. Statistics that we examined showed that a few examiners fail over 36% of the drivers that they test, which is considerably above the national average and Department benchmark of

20%. Conversely, some examiners fail less than 15%, considerably below the 20% benchmark. These pass/fail rates for specific examiners remained relatively consistent over the last few years. These statistics were for all driving tests and could not be separated by the type of license being tested.

7.134 There are a number of possible explanations for the large variances. For instance, these statistics include re-tests for high-risk drivers that police or doctors have recommended be re-tested. If an examiner tested a higher proportion of these high-risk drivers (perhaps because they are a more experienced examiner) then one would expect them to have a higher failure rate than the average. Another example would be the testing of commercial drivers who generally have higher failure rates due to the more stringent requirements.

7.135 One concern for us was that we found no evidence that the Department had reviewed these statistics and discussed the large variances with the individual examiners to find explanations. Another concern is that the current computer system does not allow the Department to examine these pass/fail rates specifically for novice drivers.

Recommendation

7.136 We recommended that the Department discuss these variances with Service New Brunswick to ensure consistent and equitable testing. Additionally, the Department needs to develop better statistics that identify the type of license and reason for testing to allow for better variance analysis.

Departmental response

7.137 The Department will have a better grasp on variance analysis when the computer system changes are completed in the spring of 2002. The changes will provide the means for a better measuring tool to look at the discrepancies in driver examiners' testing. A review will be undertaken yearly with Service NB and appropriate action taken where and if necessary.

Conclusion

7.138 In our opinion the Department meets this criterion.

Other observations

Work on overarching objective re responsibility appropriately assigned

7.139 When we began our audit, we had contemplated work on an additional objective – to determine if the responsibility for road safety is appropriately assigned to government staff. Shortly after our fieldwork commenced, the government announced a major restructuring initiative. On 23 March 2000 the government created the new Department of Public Safety by combining various parts of five existing departments. One of these “various parts” was the Motor Vehicle Division. The new Department was given a broad mandate. As Premier Lord said at the time “Public Safety issues concern us all and should be consolidated in one department rather than spread out across government.”

7.140 The Premier's comments almost seemed to echo the words of our audit objective. But in terms of our own audit work, the creation of the

new Department created some hurdles. To begin, it took some time just to situate most of the employees in one location.

7.141 Perhaps more significantly from the view of conducting an audit, although the new Department was announced 23 March 2000, it certainly did not all come together conceptually and organizationally in one day.

7.142 The new Department's Deputy Minister assigned a "Discovery Team" of key individuals with various analytical skills to develop a number of options on how the new Department might be structured. This was a time consuming process beginning in the spring of 2000 and taking several months.

7.143 A Department in this degree of change does not necessarily make the best area for audit. As well, while the Premier's announcement touched directly on our audit objective, we recognize that it may take some time for all of the safety issues to be "consolidated in one department." It seemed preferable to perhaps defer any extensive audit work on this audit objective. That, combined with our own scarce level of resources, resulted in us suspending work on it.

Champion concept

7.144 Earlier in this chapter we talked about important change initiatives, in particular the *Road Safety Vision 2010*.

7.145 We have noted the active pursuit of the goals in the *Road Safety Vision 2010* requires leadership – leadership in defining high risk; leadership in leading a response to high-risk behaviours. But we feel an additional element could be considered – the element of active promotion.

7.146 Identifying and responding to high risk is one thing. But preventing high risk behaviour is even better. An important part of prevention is promotion and education of the public at large. We think there may be value in assigning overall responsibility for the initiatives in the *Road Safety Vision 2010* to a particular individual in the Department.

7.147 Note, for example, a goal in the *Road Safety Vision 2010* document of a 20% reduction in injuries and deaths due to speed related and intersection crashes. Consider for a moment the value of assigning responsibility for that 20% goal to one person such as the Registrar. In addition to the efforts of identifying behaviours and responding appropriately, the Registrar could also adopt a direct communication role. The Registrar, by taking responsibility as the champion for that goal, could do such things as press releases, interviews, and advertising to communicate the Department's proactive approach to achieving the 20% reduction. The high-risk drivers could be appropriately warned. And the attention on the goal and the Department's efforts to achieve it could prevent some drivers from engaging in high-risk behaviours.

Recommendation

7.148 We recommended the Department consider the extent to which overall responsibility for the objectives in the *Road Safety Vision 2010* can be assigned to one position such as that of the Registrar.

Departmental response

7.149 *The Registrar will take the lead in the high-risk driver initiative and will endeavour to meet with other stakeholders and interested parties to follow up on the objectives of Canada's Vision of 2010.*

**Roles of the Registrar/
Deputy Registrar and the
Department's current
organization structure**

7.150 When we began our work initially in the Department of Transportation, the Registrar took a very hands-on role in the administration of the *Motor Vehicle Act*. In our opinion, this seems to have been contemplated by the Act. In fact, when the Act introduces the concept of Registrar in section 3, it states the following:

3(1) There shall be a division of the Department of Public Safety to be called the Motor Vehicle Division over which an officer to be called the Registrar of Motor Vehicles shall preside.

3(2) The Registrar shall act under the instructions of the Minister and Deputy Minister and has general supervision over all matters relating to motor vehicles in the Province, and shall perform such duties as are assigned to him by this Act, by the Lieutenant-Governor in Council or by the Minister or Deputy Minister.

7.151 We searched the Act quickly looking for the words “shall” or “shall not”. We felt this would be a quick indication of the hands-on duties the Registrar was required to perform under the MVA. It did not take long to find over twenty-five occurrences of this wording. But even beyond this, the Registrar has a number of important discretionary powers such as the retest provisions under section 95(3).

7.152 The point is this – the *Motor Vehicle Act* appears to contemplate a hands-on leadership role for the Registrar.

7.153 In the newly organized Department of Public Safety, however, the Registrar is not the head of the Motor Vehicle Division. He is not even part of the Motor Vehicle Division. The Registrar is stationed in the Operational Policy Branch. The Motor Vehicle Division (or at least the bulk of the staff in the former Department of Transportation Motor Vehicle Division) is in the Licensing and Records section of the Department of Public Safety. According to an internal document, the Registrar's role is “a more strategic role relative to appeals, interdepartmental, inter-provincial, national and international issues.”

7.154 We have been informed that the Deputy Registrar has assumed “responsibility for day to day decisions and operations.” The Department

has said this is largely due to the desire to separate the Registrar's appeals function from the functions of issuing and revoking licences. The Department believes the following section of the Act overrides the many duties given to the Registrar directly, including the duty to be the head over the Division:

3(6) There shall be a Deputy Registrar of Motor Vehicles appointed by the Lieutenant-Governor in Council who shall have all the powers and may perform all the duties of the Registrar.

7.155 We found this new role difficult to reconcile with section 3(1) of the Act. Not only does the Registrar not "preside", he does not even work in the Division.

7.156 The "may perform" of section 3(6) is relied on to support the Deputy Registrar's position in the new structure. Of course, one might argue that the Registrar in the Operational Policy Branch is not actually the Registrar contemplated by the Act. The Deputy Registrar as head over the division is the "true" Registrar contemplated by section 3. Or, alternatively, one might argue the Deputy Registrar's current boss, the head over Licensing and Records of which the Motor Vehicle Division is a part, is the real "officer" who "presides" over the Motor Vehicle Division. To complicate things further, we have the impression that in the view of the Department, the Division does not exist. The view seems to be that various responsibilities and personnel of the "former" Division have been placed in various parts of the Department in its new matrix structure.

7.157 We do not wish to belabour the point. But we point out that the current structure may not be in compliance with the *Motor Vehicle Act*. And it may not meet the intent of the legislation.

Recommendation

7.158 We recommended the Department revisit its current structure to determine if the roles of Registrar and Deputy Registrar are in compliance with the *Motor Vehicle Act* and the legislative intent of the Legislative Assembly. If changes to the Act are required, we recommended these be made. In the future, we recommended that changes in legislation precede changes in structure if the structure is prescribed in the Act.

Departmental response

7.159 *Amendments to the Motor Vehicle Act are currently being determined.*

Chapter 8

Department of Supply and Services - Provincial Archives of New Brunswick

Contents

Background	173
Scope	174
Results in brief	174
Mandate and mission	176
Scope of PANB operations	177
Resources provided to PANB	178
Policies and procedures	180
Records management policy	181
Assessment, arrangement and description of records	183
Storage conditions	185
Planned new repository	188
Conservation	189
Audio-visual storage media	190
Physical threats and security of facilities	192
Performance reporting by PANB	194

Department of Supply and Services - Provincial Archives of New Brunswick

Background

8.1 The Provincial Archives of New Brunswick (PANB) has never been the subject of an audit by our Office. Based solely upon its expenditures, we would probably not choose to conduct an audit of this organization. The 2000-2001 *Main Estimates* show the budget for Provincial Archives is only \$1.475 million, of which the major cost is the salaries and benefits for 32.0 full time equivalent staff.

8.2 However, we feel it is important to look beyond expenditures when considering the importance of an organization. The information contained in the records preserved by PANB is, in effect, priceless. This is due to the intrinsic value and irreplaceable nature of that information. Birth and death records, audio recordings of historic provincial hearings, and the personal files of New Brunswick Premiers are among the diverse holdings of PANB. A failure to preserve these holdings would mean the potential loss of valuable historical, genealogical, and legal information. Additionally, due to the nature of the information preserved in the holdings of the Archives, there is a lot of public interest in the operation. Having a central repository of this information facilitates its retrieval as needed. Finally, but not insignificant, is the fact that some of the archived records would have a very high realizable value on the collectors' market.

8.3 PANB was established in 1967 under the *Archives Act*. The organization currently occupies four separate locations in the City of Fredericton. The Bonar Law Building on the UNB campus is the public access facility. The other locations are used for the storage of records, various archival activities, microfilming and photographic work. The operation is divided into three major sections including public records, private records, and audio-visual records. There is also a specialized conservation section headed by a conservator. Besides their archival duties, the public records section is also responsible for co-ordinating records management activities within the government of New Brunswick.

Scope

8.4 The staff of the Provincial Archives includes a number of professional archivists, some of whom are also heavily involved with national archival organizations. In fact, two of the five elected chairs of the Council of Canadian Archives, including the present one, have been employees of PANB. We were told that, in general, the staff of PANB consists of long-term residents of the Province who have a strong interest in its history. Consequently, they are committed to preserving and promoting public access to the records that document that history.

8.5 Our work at the Provincial Archives of New Brunswick included detailed reviews of assessment, preservation, and related activities. This work included looking at the acquisition, appraisal, selection, arrangement, and description of records, as well as preservation risks as described below. It also included more general reviews of the mandate of the organization and performance reporting done by PANB along with some consideration of the accessibility of records. The objectives of our work were as follows:

- To ensure that the Provincial Archives has policies and procedures covering all aspects of record assessment, and that these policies and procedures are reviewed and updated on a regular basis.
- To ensure that these policies and procedures are in compliance with the *Archives Act* and organizational objectives.
- To ensure that records under the care of the Provincial Archives, as described in the *Archives Act*, are adequately protected. This would include ensuring that the Provincial Archives has adequately addressed the following preservation risks:
 - natural threats (light, moisture, heat, rodents, insects, acid content in paper, air pollution, nitrate in film, etc.)
 - records inaccessibility due to obsolete storage media
 - physical threats such as fire and other major disasters, vandalism, etc.
 - threats to the integrity of information
 - loss of records through theft, data loss, etc.
 - accidental damage or destruction of archival records by staff, volunteers, researchers, and others.
- To ensure that there is adequate storage space for archival records and an adequate system for identifying and locating stored records.
- To ensure that the mandate of the Provincial Archives of New Brunswick, as documented in the *Archives Act*, is clear and understood by staff.
- To ensure that appropriate, sufficient, and timely performance reporting is done by the Provincial Archives that allows stakeholders to assess the degree to which the organizational mission is being achieved.

Results in brief

8.6 The mandate of the Provincial Archives of New Brunswick (PANB) is clear and understood by staff.

8.7 In our opinion, resources currently being provided to PANB are not sufficient to allow them to fully meet their mandate as described in the *Archives Act*. This lack of resources has led to large backlogs in archival processing of records, and a lack of time to address important administrative areas such as policy development, strategic planning, and performance reporting.

8.8 Six members of a staff of 32 will be retiring under the provincial Voluntary Early Retirement Window (VERW) program, including the Conservator and two other archivists. We feel that PANB should develop a succession plan to cover key staff who will be leaving PANB in the near future. We further feel that the Conservator's replacement should be appointed prior to the retirement of the current Conservator to allow adequate time for training and the transfer of knowledge.

8.9 PANB has developed policies and procedures to cover all aspects of operations. These policies and procedures appear to be in compliance with the *Archives Act* and consistent with organizational objectives. However, one key policy relating to conservation was drafted in 1997 but has not yet been finalized and adopted. Also, there is no regular review of policies and procedures to ensure they are consistent with the *Archives Act*, the PANB strategic plan, and current archival standards.

8.10 The government Records Management Policy appears to give PANB a policy-setting and overseeing role with regards to records management in government. However, PANB has not been provided with the tools to ensure that departments comply with existing policies. Consequently, there are some important parts of the policy with which departments are not fully complying, such as the requirement to file records retention schedules with PANB for all groups of records.

8.11 PANB is currently heading up an initiative to develop a government electronic records strategy in co-operation with government departments. We encourage the organization to continue in its efforts. The failure to address this area now will result in the loss of important electronic records in the future.

8.12 During our work, we noted that there is no ongoing tracking of statistics relating to day-to-day archival activity at PANB. We feel that a tracking system should be put in place. Data captured would yield valuable information for management decision-making and performance reporting purposes, and provide objective support for requests for additional resources.

8.13 All non-restricted records in the public records and audio-visual section are accessible to the public through finding aids.

However, in the private records section there are a significant number of records that are not. In our opinion, a plan should be developed to clear this backlog, thereby ensuring public access to all non-restricted holdings of PANB.

8.14 There are a number of deficiencies in the three storage facilities currently used by PANB that have and will continue to result in the loss of archival records. Pursuant to a proposal by PANB, funding was recently approved by the government for the design and construction of a new repository near the existing Bonar Law building during the 2001-2002 and 2002-2003 fiscal years. If properly designed, the new facility will meet the archival storage needs of PANB for the next fifteen years and address other current storage concerns.

8.15 We feel that the lack of a government-wide strategy for the management of audio-visual records may have led to increased costs to the Province along with the loss of some of these records. We are therefore recommending that PANB play a central role in developing and implementing an audio-visual records management strategy for the Province of New Brunswick. As part of that strategy, guidelines should be developed that will be applied by departments in managing their audio-visual records.

8.16 The PANB strategic plan was drafted in 1993 and has not been updated since then. We feel that it should be updated in the near future and understand that PANB intends to do this within the next year. To facilitate performance reporting, we feel that such an update should include developing a list of measurable strategic objectives for the organization.

8.17 PANB provides information on its annual operations through the annual report of the Department of Supply and Services. Performance reporting in the 1999-2000 report covered user satisfaction with services provided by PANB. It indicated that surveyed users were quite satisfied. This is a good start. However, we feel that performance indicators and targets should be set and reported upon to cover other key aspects of the operation such as acquisition, appraisal, selection, description, and preservation.

Mandate and mission

8.18 Section 5(1) of the *Archives Act* describes the duties of the Provincial Archivist as follows:

(a) to have the care, custody and control of the Archives;

(b) to prepare records schedules governing the retention, destruction and transfer of public records to the Archives;

(c) to provide economical storage facilities for public records and to encourage the use of such facilities;

(d) to encourage the use by departments and municipalities of modern records storage and classification systems in order to ensure that important policies and programs are documented and that public records are protected against deterioration, loss and destruction;

(e) to discover, collect and preserve records having any bearing upon the history of New Brunswick;

(f) to copy and publish copies of records relating to the history of New Brunswick;

(g) to classify, index and catalogue all records in his custody; and

(h) to perform such other duties as prescribed by the Lieutenant-Governor in Council.

8.19 Staff we spoke to seemed quite familiar with and committed to the mandate of PANB as documented in the *Archives Act*.

8.20 The mission statement of PANB, as documented in the 1999-2000 Department of Supply and Services annual report is as follows:

The Provincial Archives is responsible for identifying and preserving public and private sector records that are of legal, administrative and historical significance to New Brunswick. The Provincial Archives' mandate also includes the management of government records and information resources and the promotion of access to New Brunswick's documentary heritage.

8.21 This mission statement is consistent with the mandate of the organization, as documented in the *Archives Act*.

Scope of PANB operations

8.22 The Provincial Archives of New Brunswick are only one of a number of archives currently operating in the Province. Some of the larger ones are at the University of New Brunswick, l'Université de Moncton (Moncton and Edmundston campuses), Mount Allison University, and the New Brunswick Museum. There are also archives for Charlotte County, Albert County, Carleton County, Grand Manan, etc. Twenty-five of the archives in the Province are members of the Council of Archives New Brunswick, a co-operative organization of archival organizations within the Province that facilitates the sharing of knowledge and resources. All archives do at least some acquisition and appraisal of records. However, the smaller ones generally only have volunteer staff, and the level of interest among those volunteers varies over time.

8.23 From a review of the legislative debates at the time the *Archives Act* was passed, it does not appear that the *Archives Act* was intended to

give PANB the mandate to centralize all archival records in Fredericton. Rather, PANB was given a co-ordinating/overseeing role relating to archival records stored in the Province.

8.24 In practice, PANB's co-ordinating/overseeing role is being handled by a provincial co-ordinator, who is an employee of the Council of Archives New Brunswick. It is the responsibility of the provincial co-ordinator to ensure that the risk of important records held by other provincial archives becoming lost or inaccessible is minimized.

8.25 PANB staff assists the co-ordinator as necessary in carrying out her duties, and office space is provided at the Bonar Law building. Also, PANB is a major contributor to the funding of the Council of Archives New Brunswick. This arrangement seems to be in keeping with the intent of the Act. The provincial co-ordinator helps PANB meet their mandate by ensuring that assessment, preservation, and accessibility concerns at the other provincial archives are handled appropriately.

Resources provided to PANB

8.26 PANB appears to be under-resourced for what they are being called upon to do in the *Archives Act*. During our review, we noted that the resources provided to PANB have not increased in recent years, while the number of records they are being called upon to administer continues to grow substantially.

8.27 This under-resourcing seems to be a chronic problem for PANB. For example the need for a new repository, for which funding has been recently announced, was first identified in the early 1980s. Because funding has not been provided to date, PANB now has three separate storage locations, creating inefficiencies and preservation concerns in the operation. In another example, when the audio-visual section was set up a number of years ago, no new money was allocated in the budget. PANB was obliged to reallocate staff from other areas of the operation. This was required despite the fact that there was a legitimate need to set up this section because of the volume of public and private audio-visual records being acquired pursuant to PANB's legislated mandate. Staff also indicated that the materials budget has traditionally been, and continues to be, below what is required to meet the requirements of an archival operation of the size of PANB. Finally, no budget amounts are currently allocated for contracting out specialized work where such expertise does not exist in-house, such as the costly restoration and reformatting of film, and other visual records. As will be discussed later, this is resulting in the permanent loss of some of these records.

8.28 PANB has attempted to address resource shortfalls by securing special project funding from various sources, by using volunteers, by recycling old equipment no longer needed by other areas of government, and by constructing their own special purpose equipment where feasible.

8.29 However, despite these efforts, there are very large backlogs of records that have not been subject to archival selection procedures, or arranged and described in accordance with archival standards. Additionally, the Conservator has estimated that the backlog of conservation work would take approximately ten years to clear with current resources. There is also a substantial backlog of several thousand boxes of records to be microfilmed.

8.30 Because of the backlogs in archival work, PANB staff makes archival activity their priority. Thus, areas such as policy development, strategic planning, performance reporting, and other administrative activity are often not addressed. Resulting deficiencies in these areas are discussed later in this chapter.

8.31 Archival work is very labour intensive. Therefore, resource shortfalls translate into an understaffing situation. Temporary or volunteer workers are useful, but because of the learning curve involved with archival work they cannot be as effective as full-time staff.

8.32 There may also be some succession problems at PANB in the short term. Six members of a total staff of 32 members will retire by 31 March 2002 under the Voluntary Early Retirement Window (VERW) program. Those staff members include three archivists (including two section heads, one of which is the PANB Conservator), and three technicians. Those people will have to be replaced with appropriately qualified individuals. We are not aware of any formal succession planning having taken place to date to ensure that appropriately qualified replacements are found, or that knowledge is transferred from retiring staff.

8.33 A number of areas of the legislated mandate would seem to be negatively impacted by under-resourcing. As previously noted, PANB does not have the resources available to classify, index and catalogue all records in their custody as required by the *Archives Act*. They have not been very active in discovering records having a bearing upon the history of New Brunswick, or copying and publishing records relating to the history of New Brunswick. Also, until the new repository is available for use, they cannot fully protect public records against deterioration or loss. Some of these problems are discussed in more detail later in this chapter.

8.34 In our opinion, PANB cannot fully meet its legislated mandate given the level of funding it currently receives from government. It appears that one of two options would be appropriate in the circumstances. Either funding to PANB should be increased to a level that would support achievement of their mandate, or the *Archives Act* should be adjusted to bring expectations in line with funding available for this operation.

Recommendations

8.35 We recommended that the resource requirements of PANB be reviewed as part of the upcoming strategic planning process for the organization. Representations should then be made to government as part of the next budget cycle requesting necessary increases in funding. As will be discussed later, the representations would be better supported if adequate performance reporting information were made available by PANB.

8.36 We further recommended that in the event adequate funding is not available from government, amendments to the *Archives Act* should be proposed that would bring the mandate of PANB more in line with what is achievable with the resources provided by government. The potential costs, in terms of lost information, of selecting this option should be carefully analyzed before action is taken.

8.37 We further recommended that PANB develop a formal succession plan to cover key staff who will be retiring under the VERW.

Policies and procedures

8.38 Policies and procedures seem to provide guidance in all key areas of PANB's operations. Organizational policies and procedures are consistent with the *Archives Act*, organizational objectives, and archival standards. However, policies and procedures, while complete, are not particularly well organized. There is no one document within PANB that captures all key policies of the organization and some policies and procedures are written in the form of discussion papers (e.g. appraisal of textual records). Additionally, there is no process in place to update policies and procedures on a regular basis to ensure that organizational policies and procedures are consistent with the *Archives Act*, the strategic plan, and current archival standards.

8.39 During our review of individual policies and procedures, we noted that the Conservation Policy and related Risk Management Checklist prepared in 1997 by the Conservator are still in draft form. Neither has been finalized or adopted yet, although the policy is used as a reference source by staff. The draft Conservation Policy includes some new requirements in the area of conservation of records. Furthermore, it appears that the Risk Management Checklist would be of assistance to PANB in identifying potential problems in physical security of records and other important areas before they became more serious. It should be noted that certain aspects of the Risk Management Checklist are already incorporated into current practices. PANB management does plan to finalize and adopt both documents in the near future, prior to the retirement of the current Conservator.

Recommendations

8.40 We recommended that the Conservation Policy and Risk Management Checklist as developed by the Conservator be finalized and adopted as soon as possible.

8.41 We recommended that PANB develop a regular review process to ensure that organizational policies and procedures are consistent with the *Archives Act*, the strategic plan, and current archival standards.

8.42 We recommended that a policies and procedures manual be developed for PANB that pulls together all organizational policies and procedures into one comprehensive document.

Records management policy

8.43 Section 5(1) of the *Archives Act* requires the Provincial Archivist ... to prepare records schedules governing the retention, destruction and transfer of public records to the Archives.

8.44 “Records schedule” is defined in the Act as a timetable that describes the lifespan of a record from the time of its creation through active and dormant stages to its final disposition either as waste or as a record of legal or historical value to be permanently preserved at PANB.

8.45 There has been a records management policy in the provincial administration manual since 1993. That policy generally documents the division of duties between PANB and the departments with regards to the management of public records. It gives PANB a policy-setting and overseeing role with regards to records management in government. It gives departments the responsibility for most hands-on records management activities up until the time that records are transferred to PANB or destroyed. For example, it delegates responsibility for preparing records schedules to the departments, although PANB must approve them.

8.46 PANB is also given responsibility for evaluating the effectiveness of the policy.

...The Provincial Archives will submit an annual report to the Public Records Committee assessing the current state of records management, and will make recommendations for the modification of this policy and the achievement of greater adherence. To facilitate implementation, the Provincial Archives will regularly conduct a review of each department, both to examine current issues and to assist in planning for program development over time.

8.47 To date, PANB work in this area has been limited to surveying departments and reporting back on the current state of records management in government.

8.48 While PANB has been assigned a policy-setting and overseer role, it has not been provided with many tools to ensure that departments comply with the records management policy. Consequently, there are some parts of the policy with which departments are not complying particularly well. For example, the records management policy requires

that departments “*establish and adequately staff the records management program...*” PANB noted that there have been problems created by the varying degrees of records management expertise and staff levels in key records management positions within the departments. A few departments have very skilled records management professionals in key positions, while others have clerical staff. This may put the public information resource at risk and make it difficult to implement records management policies and strategies consistently across government. PANB staff noted that the quality of departmental records management staff will take on even more importance in the future in light of the increased emphasis on electronic records management.

8.49 Because it cannot enforce the policy, PANB has taken a co-operative approach with departments to improve compliance. This has been done by promoting the benefits to departments of adhering to the policy, and the risks and costs to which they are exposed if they choose not to comply. They offer assistance to departmental staff in scheduling records and provide training courses in records management. They also refuse to accept departmental records for which a schedule has not been prepared. PANB’s efforts have been successful to the extent that approximately 75% of all government paper records are now scheduled. Therefore, 25% have not. Note that since departments are prohibited under the *Archives Act* from destroying records without the consent of PANB, unscheduled records must be stored within departments. We were told that departmental storage space is more costly than storage space provided by PANB. Consequently, unscheduled records may lead to increased costs for government.

8.50 Because of the lack of adequate resources, PANB has only been able to focus on one area of the records management policy at a time. PANB is currently heading up an initiative to develop a government electronic records strategy in co-operation with government departments. PANB staff indicated that over the next five years, ensuring that electronic records have been scheduled in accordance with the government records management policy will require a significant effort on the part of government departments and PANB. Failing to address this area now will result in the loss of significant electronic records in the future. To this point, very few of the electronic records being created by departments have been scheduled. The Department of Natural Resources and Energy was, however, mentioned as being very progressive in this area.

8.51 By choosing to concentrate on electronic records management, the organization will not have the resources to focus at the same time on other important areas of weakness. (Management of public audio-visual records by departments as discussed later in this chapter, ensuring that all public paper records are scheduled, etc.)

Recommendations

8.52 We recommended that PANB develop a permanent forum through which areas of non-compliance with the Records Management Policy can be highlighted and addressed.

8.53 We further recommended that PANB continue to play a central role in developing and implementing an electronic records management strategy for the Province of New Brunswick.

Assessment, arrangement, and description of records

8.54 A key decision point for the Provincial Archives is the assessment of groups of records to determine if they are of legal, administrative and/or historical significance to New Brunswick and therefore should be permanently archived. The term “assessment” includes the acquisition, appraisal, and selection of records. This area is well covered by the documented policies and procedures of PANB. However, staff did point out that not all decisions can be prescribed, and that professional judgement must be applied by staff as appropriate in the circumstances. In that respect, archivists are governed by the professional standards and a code of ethics set by the Association of Canadian Archivists. We did some testing in this area and found that decisions to permanently archive particular groups of records were based upon PANB policies and were in accordance with professional standards.

8.55 The acquisition of records follows separate paths for public and private records. PANB provides semi-active storage for all public (i.e. departmental) records at the Records Management Centre. Each group of records has an associated records retention and disposal schedule that indicates how long the records are to be held in interim storage, and what the final disposition of those records is to be at the end of the interim storage period (i.e. destroyed, archived, or selectively archived). For the most part, then, the flow of public records into the Provincial Archives is predictable.

8.56 The acquisition of private records is much more unpredictable. Typically, a lot of the private records acquired by PANB come through donations. They will occasionally purchase items of significance, but a very limited acquisition budget precludes this from happening often. PANB has not been particularly proactive in seeking out private records that would be of historical significance to the Province, although they do make inquiries about record holdings of interest when they become aware of them. The appraisal and acquisition of series of records are normally completed by a team of two PANB staff members. Where groups of records are not of interest to PANB, they often offer them to other archives to which they may be of interest. Staff noted that they have never turned down private records due to a lack of storage space.

8.57 Records, once acquired, are to be dealt with on a timely basis. The responsible section is to get control of material by making a preliminary assessment of condition, assigning temporary numbering, and entering basic information into a database/finding aid. All records are to be stored

in the best available conditions immediately upon receipt. Any records needing immediate conservation work are to be transferred to the conservation section.

8.58 From our review, we feel that, in general, appropriate practices are being followed for new acquisitions. There are no significant backlogs at this stage of the process in the public records and audio-visual sections. All records we tested were included in finding aids as appropriate. However, in the private records section, a significant number of records in the storage annex in the industrial park have not yet made it into finding aids, although staff indicated they are aware of their existence and can refer researchers to them if the need arises. PANB staff members feel that this backlog may create a negative public perception. When a donor gives material to the Archives, they expect that the public will be able to access the information. It negatively impacts upon the reputation of the Archives if a donor comes back after some time has passed and their donation is not in a finding aid.

8.59 New finding aids are now computerized for all types of records with the exception of cartographic records. This allows better accessibility for all records by providing searchable databases. Access to various sub-systems within PANB is restricted on an “as required” basis (i.e. write access only to staff working in that section), and all databases are password protected.

8.60 PANB uses the Rules for Archival Description (RAD) in arranging and describing all archival records. RAD are standards developed by the archival community in Canada. A large number of the archival records held by PANB have not been arranged and described in accordance with RAD. This is as a direct result of resource limitations. This work is very labour-intensive, and PANB simply does not have the staff to properly arrange and describe all its holdings. Consequently, PANB finding aids vary from very basic to advanced depending on PANB’s assessment of public/researcher interest in a particular series of records. Priority is given to records considered of most interest.

8.61 The more work put into arranging and describing an archival record by PANB, the more likely a researcher is to find it when researching a particular area. Thus arranging and describing series of archival records in accordance with RAD is a value added service to users of the Provincial Archives and can greatly improve the accessibility of PANB holdings. It also reduces the time that researchers are required to spend in their research by eliminating the need to look through a lot of irrelevant documents.

8.62 During our work, we noted that while staff acknowledged there are substantial backlogs in the arrangement and description of archival records, there was no formal tracking of these backlogs. Such information would be of use in managing the operation by providing trending data that

would help identify problem areas. It would also provide objective support for requests for additional resources, and be a source of performance reporting data.

Recommendation

8.63 We recommended that a tracking system be developed to capture data relating to the acquisition, appraisal, selection, arrangement, and description of records. This data can be used for management and performance reporting purposes, as well as to support organizational strategies, requests for additional resources, etc.

8.64 We also recommended that a plan be developed to clear the backlog of private records that do not currently appear in a finding aid.

8.65 We further recommended that the finding aids for cartographic records be computerized to improve accessibility to them.

Storage conditions

8.66 The Bonar Law building on the University of New Brunswick campus was initially assigned to PANB when it was set up in the late 1960s. That building still serves as the public access location for PANB, and also provides storage space for about twenty percent of the archival holdings of PANB. The other eighty percent of holdings are stored in two separate locations in the Fredericton Industrial Park. Since archival records are, by definition, held in perpetuity, the requirement for storage space will continue to grow over time.

8.67 PANB also provides a large amount of storage space for semi-active records of government departments in one of the Industrial Park facilities. The requirements for semi-active storage continue to grow, along with associated costs. Departments, in consultation with PANB staff, decide how long records are to be held in semi-active storage. Only five percent of records in semi-active storage eventually end up as archival records. Thus, to control storage costs, it is important that departments schedule records to be retained in semi-active storage only as long as necessary.

8.68 Environmental storage standards for records, except film, are similar. The PANB Conservator indicated that they include a constant temperature of 18°C and relative humidity of 35%, along with storage consisting of adequate archival shelving, cabinets and storage boxes. These storage standards were developed over time by PANB and were based upon standards followed by the National Archives of Canada and the Library of Congress in the USA. For film, cold (i.e. 2°C), dry conditions are necessary. The storage standards described in this paragraph are widely accepted in the archival community.

8.69 There are a number of deficiencies in the current storage areas used by PANB. Staff recognize these deficiencies but, to date, have not had sufficient resources available to address them. Some major problem areas include the following:

- Using multiple locations to store archival records leads to the need to transfer records between locations on a regular basis. This introduces the risk of records being damaged or lost in transit, and sometimes delays access to records by researchers. Also, the cost to bring storage conditions up to archival standards would be higher with multiple location storage. Administratively, maintaining three separate storage locations also adds to cost in terms of time for staff to travel between locations. We would note, however, that the system for transferring records between storage locations appears to be functioning well at present.
- Staff monitors the storage conditions in all three facilities on an ongoing basis. However, there are a limited number of changes they can make at present if they detect a problem. There is temperature control equipment in only the Bonar Law building. There is no pollution monitoring system in any of the buildings. The Bonar Law building is the only storage facility at which humidity can be controlled to some extent, and we were told that the HVAC system in that building is starting to wear out. Additionally, there is some concern about the inability of PANB to maintain stable storage conditions throughout the year, particularly during the summer months. In fact, because of excess humidity, there was a major mould outbreak in the storage vault at the Bonar Law building during the summer of 1998 that led to the loss of parts of some records. Mould is an ongoing issue as spores are constantly being introduced when new records are moved into the vault. In the case of the 1998 outbreak, the HVAC system was unable to reduce the humidity level to acceptable limits. Through the efforts of the management and staff of PANB, with assistance from some staff from the Research and Productivity Council, the outbreak was brought under control. A technical cleaner hired on contract to help address that problem is still working at PANB to ensure that the problem does not recur. PANB staff has indicated that it would be appropriate to have a fulltime person doing that job to reduce the risk of recurrence of this sort of problem.
- There is no cold room for storing film records. Archival film records show moving images of previous eras in New Brunswick, including places, people and activities. In many ways, they are the most revealing records held by PANB. Cold, dry storage, as describe above, effectively halts the deterioration of film that takes place at room temperature. The lack of a cold storage room at PANB is resulting in permanent losses of archival films over time. Most of the films held by PANB have not been restored or reformatted as yet because of limited resources and the high cost of doing this work. Also, in many circumstances, because of their poor condition, they cannot be copied.

Therefore, it is the original films that are being lost. We understand that PANB has been donated a cold storage room by the National Archives of Canada, but does not yet have a location in which to set it up.

- There are a number of serious storage deficiencies in the cartographic and architectural records section. Holdings include maps in a variety of scales showing various areas of the Province, along with architectural drawings of buildings of interest in the Province. These records are of professional interest to surveyors, lawyers, architects, and others. The records in the section have outgrown the area in which they are intended to be stored. Some records have been moved to one of the Industrial Park storage locations, but the primary storage area remains overcrowded. The section does not have enough specialized enclosed cabinets to accommodate all cartographic and architectural records held. Consequently, many of the cartographic and architectural records are stored on open shelving units and are not protected in any way from the effects of the sprinkler system, should it be triggered. Also, many of the records are stored rolled up in tubes rather than flat as specified in archival standards. Further, shelving units are stacked higher than they are supposed to be, making it more difficult to remove records for viewing, and thereby increasing the risk of handling damage. Archival standards specify a maximum five-foot height for cabinets to facilitate safe handling of these records. Many file cabinets containing stacked documents are also over-filled, resulting in a risk of damage to the documents on top when drawers are opened. Finally, a report we reviewed indicated that the load-bearing capacity of the floor in the cartographic/architectural storage area may be exceeded.

8.70 There are no water infiltration detection systems at any of the storage facilities currently in use. This is particularly of concern at the Bonar Law building. The flat roof on that facility has a tendency to leak, and there has been at least one small leak in the vault area recently. In that case, minimal damage resulted to archival records, but the risk of more significant damage does exist.

8.71 Storing archival records in substandard conditions does have a cost. The PANB Conservator has estimated that stabilization costs for records in substandard storage is approximately \$1.1 million per annum. This is not an out-of-pocket cost to PANB, but rather an estimate of how much extra is being added each year to the total expenditure that would be required to bring the entire PANB collection up to standard. In other words PANB is saying that for each year that existing storage deficiencies are not addressed, it gets \$1.1 million further away from fully complying with archival standards and the risk increases that archival records will be permanently lost.

Recommendations

8.72 We recommended that the Department of Supply and Services proceed with the design and construction of the new repository for PANB as discussed in the next section. This will address the issues raised above as long as the repository is appropriately designed to address current storage deficiencies.

8.73 We also offered the following specific recommendations to address the issues raised in this section.

8.74 We recommended that the planned repository be designed to be big enough to accommodate all existing archival holdings of PANB and provide room for expansion of the holdings for a reasonable period of time into the future.

8.75 We recommended that the design include the ability to monitor temperature, humidity and pollution levels and adjust them to meet archival storage requirements.

8.76 We recommended that the design include water detection systems to alert PANB to water intrusion, especially during those hours when storage facilities are unattended.

8.77 We recommended that proper storage facilities (i.e. shelving units and cabinets) and containers be provided for each type of archival media (e.g. cartographic records should be flattened and stored in appropriate cabinets to reduce damage due to handling).

8.78 We recommended that the donated cold storage facility be incorporated into the design of the new repository to allow for proper storage of the PANB film collection.

Planned new repository

8.79 The government has approved funding for the design and construction of a repository during the 2001-2002 and 2002-2003 fiscal years. It is projected that the planned repository will meet the archival storage needs of PANB for the next fifteen years and will allow all archival records to be stored in one location. If properly designed, it will also address other storage concerns by including a cold room, a more stable and controllable storage environment, variable type shelving that allows records that need to be stored horizontally or vertically as required, and proper size archival storage cabinets and boxes. We would also note that based upon an analysis prepared by PANB, the planned high-density storage method represents the most economical method of storing archival records.

8.80 PANB will face a significant challenge with regard to the transfer of records when the new repository has been completed. A logistical plan will be needed to ensure that archival records are transferred into the new repository safely and efficiently. Because of their awkward size, cartographic and architectural records will be particularly problematic.

There will also be the logistical problems associated with transferring some 80% of PANB archival holdings from other storage locations. Among the decisions to be made in advance are shelf configuration, box sizes, how a new bar code system will be implemented, how to update location information within existing finding aids, and how to minimize disruption to ongoing PANB operations during the move. (The intention of PANB is to keep the archives open to the public during the period of the move.)

8.81 Once the move into the new repository has been completed, the current storage area in the Bonar Law building will be available for other purposes. There are no documented plans yet for how that space will be used. However, we did note that the existing public access area does not include wheelchair accessible washroom facilities.

Recommendations

8.82 We recommended that a logistical plan be developed in advance of the completion of the repository to ensure that archival records are transferred into the new repository safely and efficiently, and without unduly disrupting the ongoing operations of PANB.

8.83 We also recommended that the lack of wheelchair accessible washrooms at the Bonar Law building be addressed at the earliest possible date.

Conservation

8.84 PANB has a conservation section that is responsible for dealing with all aspects of record conservation including anything that impacts upon the condition of records under the control of the organization. The section examines records that may need conservation work, and assesses the seriousness of the problem and thus how quickly conservation activity must take place. Also, in accordance with archival standards, all conservation work performed on particular records is documented.

8.85 The section is run by the PANB Conservator who has had a very positive impact on the ability of PANB to preserve archival records. We were told by an independent third party from outside the Province that, "The PANB conservation program is vital to the institution but very under-funded. The Conservator is ... nationally recognized as a very innovative conservator, who has developed an excellent program on a shoe string." He has also assisted other archival organizations, both inside and outside the Province.

8.86 At present, due to resource limitations, the Conservator has no staff. Occasionally, he is able to assign work to contract staff, students, or volunteers, but not on any sort of continuous basis. We were also told that lacking an equipment budget, he often constructs his own conservation equipment. Not surprisingly given the resource limitations, the Conservator indicated that there is currently a ten-year backlog in conservation work that needs to be completed, and that it is growing.

Failing to complete necessary conservation work on a timely basis will result in the permanent loss of archival records.

8.87 The current Conservator will be retiring in 2002 under the Voluntary Early Retirement Window. As he is the only full-time staff member in the conservation section, PANB runs the risk of losing a great deal of valuable knowledge unless a successor is appointed in advance of the Conservator's retirement to allow for training and a transfer of knowledge. We would also note that the planning for the new repository should ideally be done before he leaves as his expertise will be valuable in ensuring that existing deficiencies in the storage of archival records are rectified in the new facility.

Recommendation

8.88 We recommended that the Conservator's replacement be appointed prior to the retirement of the current Conservator to allow adequate time for training and transfer of knowledge.

Audio-visual storage media

8.89 The area of audio-visual storage media is a problem for all archives that deal with these types of records, and PANB is no exception. Audio-visual records include such records as early filmed images of New Brunswick, video recordings of important New Brunswick events and citizens, audio recordings of provincial hearings, recordings of court depositions, music by New Brunswick artists, etc. These records create a lot of difficulty because of the wide variety of technologies that have been introduced and discontinued over the past 75 years. Some records that are received by archives are simply not accessible and others are only retrievable after a lot of staff work and/or the use of specialized equipment. Archival practice is to reformat such records where possible to a more permanent medium for long term retention. However, this can be a very costly process.

8.90 PANB has attempted to keep up with technological advances. A document entitled, "Audio-Visual Records - Procedures for Acquisition, Preservation and Access" has been prepared in draft form by PANB. There are also references to standards for reformatting from obsolete media and choice of media in the Conservation Procedures draft. PANB has also had some involvement with work being done in this area on a co-operative national basis.

8.91 Because of limited resources, PANB cannot fully address the reformatting needs of their audio-visual holdings. They are able to do most reformatting of audio records in house and have, on occasion, employed innovative techniques to recover audio records. However, reformatting of video, and especially film, often requires that the work be sub-contracted privately, a very expensive undertaking. Occasionally a PANB user will be willing to pay for reformatting in order to get access to certain records. General researcher interest drives any additional reformatting work that is done. However, in general, the audio-visual section concentrates on stabilizing the condition of film and video and

does very little reformatting of those records. And, as previously discussed, the lack of a cold room at PANB means that film records cannot be fully stabilized given current facilities. Therefore, over time, more and more of these records are becoming inaccessible and consequently permanently lost.

8.92 PANB staff indicated that there is a significant problem with departmental records management practices relating to audio-visual records. This area is covered in general by the Records Management Policy. However, at present there is no government-wide strategy for audio-visual records, nor are there specific standards governing the quality and format of recording for audio or visual records created by government departments or related conservation concerns. The lack of guidance with regards to the management of audio-visual records has, in general, led departments to take the following actions:

- Using the cheapest media available (i.e. budget cassettes and VHS format VCR tapes) regardless of the expected retention period of the record. The two media noted have an expected life of less than ten years, whereas a department may need access to the information contained on a recording for twenty-five or more years. There are better options, but they would cost departments more.
- Using ninety-minute cassettes when sixty-minute cassettes are the standard for archival storage. Ninety-minute cassettes give inferior recording quality and are more subject to breakage.
- Providing sketchy descriptions for audio-visual material, making it hard to determine what recordings contain without playing them back, a very time-consuming process.
- Not scheduling records, or providing schedules without technical data about tape recording speed, etc.
- Recording at low speed (thereby maximizing the information that can be recorded on a tape) and using both sides of tapes for recording. Both actions negatively effect the quality and durability of a recording.
- Maintaining only one copy of each recording. This is especially problematic in cases where transcriptions are typed from original recordings because of the requirement to start and stop playback constantly. This puts stress on tape mechanisms, risking breakage.
- Improperly maintaining departmental playback equipment or using inferior quality equipment. This is one of the most common causes of damage to recordings.

8.93 Taken together, these actions have two major consequences. First, they can lead to damage or loss of recordings during the period in which a department may need to access them (i.e. the semi-active storage period), subjecting the Province to various risks. For example, the Department of Justice often refers to recordings in court cases, sometimes many years

after they were recorded. Loss of these recordings may subject the Province to various legal or other risks. Second, use of non-archival media for recordings and lack of information on the form and content of those recordings will increase the cost to PANB to fulfil their mandate. Lack of information results in more time being needed by PANB to determine if a record should be selected for permanent retention. But more importantly, recordings on non-archival media must be reformatted by PANB. This is very costly in terms of PANB staff time and/or contracting out to do necessary work. PANB staff indicated that the savings obtained by departments in choosing the cheapest audio-visual options are small in comparison with the increased costs incurred by PANB.

Recommendation

8.94 We recommended that PANB play a central role in developing and implementing an audio-visual records management strategy for the Province of New Brunswick, as seems to be their role under the Records Management Policy discussed previously in this chapter. As part of that strategy, guidelines should be developed that will be applied by departments in managing their audio-visual records.

Physical threats and security of facilities

8.95 There is a Disaster Response Plan for PANB that was prepared in 1998 and is in effect. Also, as previously noted, a Risk Management Checklist has been drafted but not finalized and adopted. The checklist covers the risks mentioned in this section among others. Use of the checklist would provide a structured way to evaluate risk on a periodic basis and identify problems before they become more serious.

8.96 There is no insurance on collections held by PANB, in keeping with the Province's policy of self-insurance of assets. PANB management noted that in the area of archives, most items are irreplaceable. Therefore, insurance would only be necessary to cover costs to restore damaged items. In the past, such costs have been borne by the Province as needed (e.g. the cost of restoring the records damaged in the 1973 flood in downtown Fredericton was covered by the Province).

8.97 Generally, the risk of fire is well managed at PANB. Buildings have sprinkler systems in storage areas and fire alarms throughout that are linked to the fire department. We did note that the Bonar Law building has not been inspected by the provincial fire marshal in recent years. It has, however, been subject to a risk management study by the Department of Supply and Services. This study led to the construction of additional fire exits, a project that was ongoing during our work. The study also suggested that records be moved further away from sprinklers to ensure their effectiveness, although that has not been possible in all cases due to space limitations. Daily closing procedures also address some areas of fire risk, particularly for the older Bonar Law building where the risk of fire would seem to be higher. Given the age of that building, we feel that it should be inspected by the provincial fire marshal on a regular basis.

8.98 There is no security alarm system at any of the storage facilities. However, the Bonar Law building is patrolled several times each night (inside and outside) by UNB Campus Security. Private security services also patrol the outside of industrial park locations during off-hours. To a certain extent, the sheer volume of records held by PANB in the various locations serves as a disincentive to anyone attempting to misappropriate something of value. It would be difficult and time consuming for an unauthorized entrant to locate anything worth stealing.

8.99 Responsibility for the daytime security of each facility has been assigned. For the two staffed facilities, opening and closing procedures are followed on a daily basis that include inspection of physical plant for problems, and a complete walkthrough of the buildings to ensure that there are no unauthorized personnel present at closing time and that nothing else unusual is observed.

8.100 In general, researchers may only conduct research at the Bonar Law building, although they may arrange to visit the staffed industrial park location by setting up an appointment in advance. They are further restricted to public areas within the Bonar Law building unless accompanied by a PANB staff member. On rare occasions researchers are allowed into the vault area of the Bonar Law building. In those cases, they are closely supervised by PANB staff. During our work at the Bonar Law building, we noted that the building entrance was always attended by PANB staff. Staff at the front desk ensure that researchers and other visitors keep to public areas or are accompanied by a PANB staff member.

8.101 Staff members have access to all areas of the PANB facilities, although they are primarily expected to be in areas of relevance to their own work. There is, however, a restricted area in the vault to which only a selected number of people have access. It is normally locked and contains records to which access is restricted by Legislation. Restricted records include adoption information, public records containing personal information about anyone born within the last one hundred years, and records disclosing opinions or recommendations made by a Minister or the Executive Council during the last twenty years.

8.102 There is currently a risk at PANB that original records will be mishandled or misappropriated by researchers. The following factors contribute to this risk:

- Two PANB staff members are assigned to assist and supervise the public access area of the Bonar Law building, that includes the entry area and research room, at any one time. With this level of staffing, it is impossible to maintain a constant staff presence in the research room during open hours. We were told that resource limitations currently preclude PANB from increasing the number of staff assigned to assist and supervise researchers.

- Researchers are to initial a slip before original records are provided to them. In our opinion, this does not provide much in the way of control over records, particularly when a researcher is not known to staff.
- There are no bag searches or other procedures in effect designed to prevent misappropriation of records by researchers leaving the Bonar Law building.

8.103 These weaknesses are somewhat mitigated by the following factors:

- Researchers primarily use microfilm copies of records prepared by PANB staff, and not original records.
- Staff we talked to indicated that, in general, they feel that the loss of records is quite rare at PANB. They also noted that losses of which they are aware were as a result of misfiling, not theft.

8.104 We recognize that regardless of what procedures are adopted, there will continue to be a risk of mishandling and misappropriation of original records by researchers at PANB. However, we feel that this risk could be better managed by ensuring the constant presence of a PANB staff member in the research room.

Recommendations

8.105 We recommended that a PANB staff member be constantly present in the research room at the Bonar Law building during open hours.

8.106 We recommended that PANB ensure that its facilities are inspected by the provincial fire marshal on a regular basis.

Performance reporting by PANB

8.107 Performance reporting is an important facet of modern public accountability. During the last few years, the Province has taken steps to introduce performance reporting in the public sector in New Brunswick.

8.108 There is a particular process that needs to be followed to ensure that there is effective reporting of performance. It is made up of four sequential steps as follows:

- Develop a mission statement and strategic objectives for the organization. The mission statement will explain the reason for the existence of the organization. The strategic objectives will identify, in clear, measurable terms, what is required to satisfy that mission.
- Identify one or more performance indicators for each strategic objective identified for the organization. These performance indicators will identify how success in achieving each strategic objective is to be evaluated.
- Set targets for organizational performance indicators. These targets should be the levels of performance at which the related strategic objective can be considered to have been achieved for the period covered by the target. Targets should normally be set annually.

- Capture and report on actual achievement against target by performance indicator. We agree with the provincial annual report policy that indicates that the most appropriate means of conveying performance reporting information is through the organizational annual report. Such information should allow the reader of the annual report to determine, in as objective a way as possible, the extent to which an organization has achieved its strategic objectives and its mission. Additionally, explanations should be provided where planned performance has not been achieved, and actions to be taken to improve performance should be documented.

8.109 Inherent in the process of setting performance targets, and then reporting achievements against those targets, is that targets will sometimes not be met. In performance reporting, this should not automatically be considered as “failure.” An important part of performance reporting is considering explanations of why targets were or were not reached. Equally important is the identification as to what will be done differently in the following year as a result of experience gained. It is crucial to the success of performance reporting that all parties recognize this and use performance reporting information primarily as a method of improving the organization and drawing attention to external limitations, and not simply as a source of information in assessing individual or workgroup performance.

Strategic planning at PANB

8.110 The current PANB strategic plan was drafted in 1993 and has not been updated since then. PANB management indicated the strategic plan will be updated during the 2001-2002 fiscal year.

8.111 The 1993 PANB strategic plan identifies ten “critical success factors” that seem to approximate strategic objectives for PANB. They are as follows:

1. Preservation and availability of public and private records of legal, administrative and historical significance.
2. Adequate foundation in policies, standards and statutes for programs.
3. Support provided for other Archives.
4. Mandate clearly defined and understood by staff, clients, government resource allocators.
5. Aware of and meet clients’ needs.
6. Services provided professionally through professional development, currency of knowledge and techniques, responsiveness.
7. Staff work as a team.
8. Partnerships developed with clients, other service providers.
9. Archives promoted through support group, exhibits, education programs.
10. Records and information resources efficiently and effectively managed in all departments, agencies, municipalities, and the Courts.

8.112 These seem to give adequate coverage to all aspects of PANB operations. However, they may be a little too general to serve as a basis for

identifying performance indicators for PANB. We feel it would be appropriate to generate more measurable strategic objectives during the upcoming strategic planning exercise.

8.113 The 1993 strategic plan also included an action plan that covered the period from 1993-94 to 1997-98. PANB staff indicated some issues raised in the document have been addressed but most have not as yet, mainly due to resource limitations as previously discussed. The new repository, assuming it is appropriately designed and constructed, when operational will address most of the concerns raised with regards to the quality and quantity of storage space available. We feel it would be appropriate for PANB to update the action plan as part of the upcoming strategic planning exercise.

Performance reporting information

8.114 PANB provides information on its annual operations through the Department of Supply and Services' annual report. A review of the 1999-2000 Department of Supply and Services' annual report would lead the reader to believe that PANB does not face many issues. There is no mention of resource shortfalls, lack of compliance with the records management policy of government, issues with electronic and audio-visual records, backlogs of records to be processed, or other problem areas. Performance reporting in the 1999-2000 annual report covers user satisfaction with services provided by PANB, noting that surveyed users were quite satisfied. This is a good start, but does not address performance in the areas of acquisition, appraisal, selection, description, or conservation, all mission-critical areas. We feel that it would be appropriate to expand performance reporting to cover those areas, linking performance indicators to strategic objectives identified during the strategic planning process.

8.115 By enhancing existing reporting on performance, PANB could highlight their achievements and identify areas where major challenges are faced in achieving the organizational mission. This information could also be used to assist the organization in making a case for additional resources and in justifying its own strategic directions.

8.116 In order to provide more broad-based performance reporting, PANB would need to capture better data on activities within the organization than it does at present. For example, we feel that PANB needs to capture more information on the magnitude of backlogs of records at major stages of processing. Acceptable backlog levels should be set and actual levels tracked. When backlogs are excessive, action can be taken. Such action might include the temporary reallocation of staff, requests for additional resources, etc.

Recommendations

8.117 We recommended that the strategic plan as drafted in 1993 be updated as planned during the 2001-2002 fiscal year. That update should include developing measurable strategic objectives for PANB and updating the organizational action plan.

8.118 We further recommended that performance indicators be developed for each organizational strategic objective, that targets be set for each performance indicator, and that actual achievement be reported against those targets in the Department of Supply and Services' annual report. This may require capturing additional data relating to the day-to-day operations of PANB.

Departmental response

8.119 The Department of Supply and Services provided the following response to our report:

We have received and reviewed the audit report of the Provincial Archives of New Brunswick.

As you know, action is underway in response to the principal challenge that the Archives has faced for some years and that you have noted, the facilities to ensure preservation of historical records. The new repository slated for completion in 2002 is expected to provide storage for all records currently held and for 15 years growth. The facility will meet exacting standards for environment, fire suppression, and storage and will be customized, as required, to meet the needs of various record formats.

Equally critical is another challenge you have identified, that of the management and preservation of electronic records. We are aware that prompt attention to this issue is required to ensure government's ability to function and be accountable, and ensure the survival of the historical record. I am pleased to say that the Archives has completed a strategic framework document outlining actions needed in this area and staff are working on an implementation plan. Clearly we will need additional resources, as you note, and the cooperation of all departments to meet this challenge.

The issues you have raised with respect to strategies, policies and procedures, and performance will be addressed.

We have noted your positive comments and your appreciation of the Archives' success in carrying out its mandate in view of resource limitations. We will continue to make a case for additional resources required to carry out the mandate of the Provincial Archives and the Archives' programs.

We will review all your recommendations as we plan for the Archives' future development and will follow-up accordingly.

Chapter 9

Department of Supply and Services - Purchasing

Contents

Background	201
Scope	202
Results in brief	203
Tendering and soliciting bids for purchases	204
Granting exemptions and preferences	207
Ensuring compliance with legislation	213
Fairness in the purchasing process.....	219

Department of Supply and Services - Purchasing

Background

9.1 On 15 October 1974 New Brunswick proclaimed the *Public Purchasing Act* (the Act) thereby establishing requirements for purchasing by government. While the Act does not set out its purpose, the Department of Supply and Services has interpreted it to be “to ensure that all suppliers have a fair and equal opportunity to compete for government (provincial) contracts”. This sets procurement in the public sector apart from that in the private sector. While the Act has requirements to ensure that government suppliers are treated fairly and equally, suppliers contracting with the private sector have no such assurance. Private sector contracts may be awarded to suppliers on any basis, as long as legal requirements are met.

9.2 Ensuring compliance with the provisions of the Act is important to the people of New Brunswick. If all suppliers have a fair and equal opportunity to compete, they will be encouraged to bid on contracts, pricing will be competitive and cost should be reduced.

9.3 However if the provisions of the Act are ineffective, or compliance is not assured, public sector contracts could be awarded on an inequitable or uneconomic basis. For example, favoured suppliers might be the only ones winning contracts. The result could be that other suppliers would see no reason to bid on contracts as they would perceive that they would have little, or no, chance of winning. Thus competition would be reduced, suppliers would be treated unfairly and the best suppliers would not be rewarded. The Department estimates that fair and open competition for contracts saves between 20% and 25% in contract costs. Therefore the financial impact on taxpayers of an ineffective Act, or non-compliance with its provisions, could be considerable.

9.4 The Act governs most purchasing of supplies and services by departments. It also prescribes the requirements for the purchasing of supplies and services by government funded bodies. These include municipalities, many Crown corporations, hospital corporations, universities and regional solid waste commissions.

9.5 Under the Act, the Minister of Supply and Services (the Minister) is assigned responsibility for “the administration of this Act”. The Act

also provides that “except as otherwise provided in this Act or in the regulations each department shall purchase its services and supplies through the Minister”. The Minister assigns the Central Purchasing Branch (the Branch) responsibility for the procurement of equipment, materials, supplies and services for government departments. The Branch’s mission statement states the Branch “is responsible for the acquisition of goods and services, required by central government agencies and other publicly funded bodies, in a timely and economical manner, which provides fair and equitable access to all interested suppliers and supports government policy.”

9.6 In 1999-00 the Department, through the Central Purchasing Branch, was responsible for purchasing \$304 million worth of supplies and services. In 2000-01 this increased to \$359 million. The number of purchase orders also increased marginally from 4,599 in 1999-00 to 4,669 in 2000-01.

Scope

9.7 Our objective for this audit was as follows:

To determine if the Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the Public Purchasing Act and Regulation with respect to:

- *tendering and soliciting bids for purchases;*
- *granting exemptions and preferences; and*
- *ensuring the compliance of government funded bodies and departments with their responsibilities under legislation.*

9.8 The Central Purchasing Branch was the focus of our audit. However, other departments including Family and Community Services and the Office of the Comptroller were also contacted in completing our work.

9.9 In order to ensure the Minister was fulfilling these responsibilities, we had to determine if the Department had appropriate systems and practices in place. Our audit objective reflects this approach. To aid us in determining if the Department of Supply and Services was meeting this objective we developed four audit criteria. The criteria are the benchmarks against which we audit to conclude on the audit objective and are as follows:

- the Department should be aware of its responsibilities and duties under the *Public Purchasing Act* and regulation;
- the Department should have systems and practices in place to address the Minister’s responsibilities and duties under the Act;
- the Department should regularly review these systems and practices to ensure they are adequate; and
- supplies and services purchased by government should comply with policies and procedures established in the *Public Purchasing Act*.

9.10 In conducting our audit we met with a number of Branch staff. We reviewed the Branch's policy and procedures manual and any other relevant documentation to help establish how the systems and practices fulfilled the Minister's responsibilities.

9.11 After identifying the relevant systems and practices, we assessed their adequacy. We then performed a small test on each system to verify that the practice was consistent with the policies.

9.12 In addition, we audited a sample of recent payments by government departments. We also reviewed the test results of an audit done on purchasing by the Comptroller's Office. Both of these steps were conducted to obtain an idea as to whether departments, including the Department of Supply and Services, were complying with legislation.

Results in brief

9.13 The Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation with respect to the tendering of purchases.

9.14 The Department's system for the purchasing of supplies between \$1,500 and \$5,000 meets the responsibilities assigned to the Minister under the Act. However, we found instances where staff in the department purchasing the supplies did the price solicitation; this is contrary to the Regulation. The Act does not cover purchases of services less than or equal to \$10,000, leaving the Minister with no direct responsibility for purchasing these.

9.15 The Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation with respect to the granting of exemptions. However, we did find examples of what we considered the inappropriate use of an exemption.

9.16 With the exception of an inconsistency between policy and legislation for schools, the Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation with respect to the granting of preferences.

9.17 Except for the lack of a formal policy for training, the Minister has met his responsibilities for educating departments and government funded bodies about their responsibilities under the Act.

9.18 The Minister is not fulfilling his responsibilities for the enforcement of departmental and government funded bodies' compliance with the Act. In addition, the Comptroller is not fulfilling his responsibility for enforcement as set out under the Act.

Tendering and soliciting bids for purchases

Tendering

9.19 As stated earlier in the chapter, the Department's view of the purpose of the Act is "to ensure that all suppliers have a fair and equal opportunity to compete for government contracts". Tendering, and the associated process, is critical to ensuring this. Most purchasing in the public sector is conducted using this process and its effective operation is essential to assuring fairness and value in purchasing by government.

9.20 Section 4(1) of the Act establishes tendering as the basis for public sector purchasing. This can include requests for proposals. The section requires that all purchases of supplies over \$5,000 and services over \$10,000 be tendered unless exempted by the Act or Regulation.

9.21 Legislated requirements for the tendering process are found in sections 12 to 23 of the Regulation. The Central Purchasing Branch's policy manual sets out an extensive and comprehensive process to be used when tendering is required.

9.22 After we identified the major controls in this process we assessed their adequacy. We then performed a small test on the system to ensure it, and the controls, were working as documented and to verify that the practice was consistent with the policies and legislation. In addition, we audited a small sample of recent tenders by government departments.

9.23 We concluded that the tendering process established in the Branch's policy and procedures manual meets the Minister's responsibilities under legislation. Our comparison of the documented system to the actual practice used by the Department indicated that the tendering system is operating as intended.

9.24 One of the test items was a five-year contract for supplying insurance to the Province. The contract was awarded on the basis of a bid of \$428,500 for the first year of the five-year contract. Only the price for the first year of the contract was quoted and it was on this basis that the contract was awarded. In the second year the price jumped over 33% to \$570,000. This example shows a significant problem for the Department in the tendering of a long-term contract. We are concerned with how the Department structures its long-term contracts to protect itself against price increases of this nature. Neither the Act nor the Branch's policy manual provides guidance on this issue.

9.25 We see at least two possible solutions to this problem. Contracts that carry the risk of interim price increases could contain terms to limit the extent of increases beyond the prices quoted in the successful tender. If increases turn out to be beyond the limits, the contracts could be re-tendered. Alternatively the Department could tender contracts of this nature for a shorter term.

Recommendation

9.26 We recommended the Department ensure that long-term contracts contain provisions that protect the Province from price increases not provided for in the contracts.

Departmental response

9.27 *Your review of a test item for insurance concluded that a general problem exists for long-term contracts. However, this type of contract is rare among those being undertaken. In this particular instance, the price for subsequent years (beyond first year/bid price) did increase, but it should be noted that the loss experience in the first year is an important determining factor for subsequent years' price and in other instances the price may not have risen so dramatically or perhaps resulted in lower costs.*

9.28 *The Department has examined a number of options and discovered a complicated array of risks, potential costs and potential benefits for each alternative approach to insurance coverage considered. One of the solutions you offered suggested a limit on extent of increases beyond the initial year price, and, while this is a possibility, it would be our view that the bidders would address this constraint by increasing the initial price to cover the risk. As well, the option to utilize a shorter term would tend to increase bid prices to cover the uncertainty of a reasonable period to cover overhead costs. The solutions offered will be carefully considered and evaluated along with a number of others in development of the upcoming insurance tender.*

Conclusion

9.29 We concluded that the Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation with respect to the tendering of purchases.

Price solicitation

9.30 Price solicitation is another process the Minister uses to purchase supplies and services. The Branch's manual describes it as a process "where oral and written quotes are obtained from vendors without formal advertising and does not require a sealed bid, public opening, public reading of bids and is not subject to the standard terms and conditions and tendering rules". Generally the process is not as onerous as tendering, nor is it as open or competitive.

9.31 Section 4(1) of the Act requires tendering where purchase levels are greater than \$5,000 for supplies and greater than \$10,000 for services but does not cover purchases below those levels. Section 24 of the Regulation charges the Minister with the responsibility for purchases of supplies estimated at between \$1,500 and \$5,000 including HST and sets out the rules and procedures the Minister is to use in soliciting prices for these supplies.

9.32 Section 4(4) of the Act allows price solicitation in other situations if the Minister decides it is practicable and in the best interests of the

Province. However this section was not used in 2000-01 and is rarely, if ever, used.

9.33 The Department's documented system for the purchasing of supplies between \$1,500 and \$5,000 meets the responsibilities assigned to the Minister under the Act. However our review of actual practice showed that in two of the three price solicitations examined, staff in the department purchasing the supplies did the price solicitation and these were only reviewed (not conducted) by Branch Purchasing Officers. Where our sample was very small we would not have expected any deviations from a process described in legislation and policy.

9.34 We believe that if Branch Purchasing Officers do not solicit the bids, the process is less reliable. For example departmental staff may not know the best suppliers and bids might be obtained from suppliers that would not give best pricing or best quality. Additionally, the bids may not have been solicited in the proper manner. A review of the bids by the Purchasing Officer may not reveal these shortcomings.

Recommendation

9.35 We recommended the Department of Supply and Services comply with legislation and solicit price quotations from suppliers rather than allowing departments to conduct this activity.

9.36 The Act does not cover purchases of services less than or equal to \$10,000, leaving the Minister with no direct responsibility for purchasing these. These purchases do not have to be made through the Department and no outside controls over these purchases have been established in legislation. The Department has developed internal policies to cover low dollar purchases of services that others have asked it to make for them.

9.37 It is not obvious why legislation would not require the Minister to purchase services of \$10,000 or less and use the same systems and practices as for supplies of \$1,500 to \$5,000. Such a system could guarantee at least some competition between vendors and allow access to the contract for more suppliers. As it stands now purchasers of these services may obtain them however they choose.

9.38 As the purpose of the Act is to lend fairness to a competitive purchasing process, we believe legislation should cover these purchases and the procedures used should mirror those used for supplies.

Recommendation

9.39 We recommended that purchases of services of \$10,000 or less be subject to the same provisions as purchases of supplies between \$1,500 and \$5,000.

Departmental response

9.40 *Your recommendations regarding purchasing officers doing price solicitation for services under \$10,000 have been noted. Given that we do not know the amount of services of less than \$10,000 value purchased by departments, it would not be possible to determine if this recommendation*

could substantially increase workload and thereby, resource requirements. We would suggest that in the longer term, more delegation of small value purchases to departments can be cost effectively achieved supported by enhanced reporting, monitoring and control measures that may be available with new e-Procurement systems which are being implemented.

Conclusion

9.41 Legislation requires the Branch's Purchasing Officers to conduct price solicitation. Apart from the failure to comply with this requirement, we found the system and practices met the Minister's duties under legislation.

Granting exemptions and preferences

Exemptions

9.42 The process of granting exemptions allows government to purchase supplies and services without being subject to certain, or in some cases all, requirements set out in the *Public Purchasing Act*. Some exemptions require the approval of the Minister, but many others do not. Exemptions are available to all parties covered by the Act, including government funded bodies and departments.

9.43 Purchasing exemptions exist for many different reasons. Some of the exemptions requiring the Minister's approval include:

- emergency or urgent situations;
- an absence of competition for technical reasons and when only one vendor can supply the required product;
- compatibility of the product;
- continuation of guarantees on product; and
- specific named services provided such as advertising and financial services.

9.44 Examples of exemptions not requiring ministerial approval include:

- departmental purchases below \$10,000 for services;
- services where legislation requires they be provided by professionals such as lawyers and chartered accountants; and
- departmental purchases for supplies such as school textbooks and drugs for recipients of social assistance.

9.45 Additionally, government funded bodies' purchases under \$25,000 for supplies and under \$50,000 for services are completely exempted from the Act.

9.46 The impact of such a range of exemptions is considerable. The use of an exemption can result in access to a contract being restricted to only one vendor, thereby excluding other vendors from the usual procurement process. As well, using exemptions to purchase supplies and services usually results in decreased competition and this, in turn, could lead to higher prices.

9.47 As our objective was to determine how well the Minister fulfils his direct responsibilities we focused our attention on the systems and practices in place to control exemptions the Minister is required to approve. However, since the Act allows many other exemptions and since the Minister is responsible for administration of the Act, we have made some comments regarding these as well.

9.48 One of our test items was exempted from the Act through what we believe is the inappropriate use of an exemption. The exemption relates to a service contract signed with a service provider in the 1990's and was for administering the employee family assistance program. In 1995 the Act was amended to apply to services as well as supplies and, as such, would now apply to this contract. A short while later the Board of Management set out a policy stating no contract should run longer than five years unless the Board approved the extension. There was no approved extension. As such, the contract should have been tendered by 2000. However the contract was exempted from tendering for another two years by using section 27.1(v.5) of the Regulation, which allows an exemption from tendering for the management of financial assets and liabilities.

9.49 Based on the results of our review of this transaction we were unable to satisfy ourselves that this exemption was intended for situations such as this. Through our audit we found evidence that Central Purchasing staff expressed similar concern over the applicability of the exemption. They too did not believe "it was intended for this sort of service". We believe the use of this exemption to not tender the contract is inappropriate.

9.50 In our review, we found another service contract that was signed in the 1970's. In accordance with legislation in effect at that time, it was not tendered. It has never been tendered or extended since that time. This would also appear to be in conflict with the Board's policy of allowing no contract to run longer than five years unless the Board approves the extension.

9.51 In both of these cases, the benefits to the Province of not tendering are unclear. Companies that might have competed for the contracts are denied access to them, thereby limiting competition and increasing the risk of higher costs. This does not seem to be in keeping with the purpose of the Act, which is to promote open and fair competition.

Recommendation

9.52 We recommended that contracts be re-tendered at a minimum of every five years unless approved for extension by the Board of Management.

Departmental response

9.53 *We agree that for the bulk of contracts, a re-tender within five years would be an acceptable policy with recognition for particular circumstances where longer terms are warranted and supported by Board approval.*

9.54 Section 27.1 (p) of the Regulation allows the Minister to grant exemptions where it is established that there is a significant economic benefit to the Province if the purchase is made from a certain vendor and the Board of Management has recommended it.

9.55 While this exemption is used only rarely, we found two contracts awarded by the use of this exemption.

9.56 We reviewed a large contract for software development that was awarded to a vendor without tendering because of perceived economic benefits to the Province. The contract was for development of a client service delivery system and was awarded in 1995 to a local software development firm. Analysis supporting the Board of Management decision to exempt this contract from tendering indicated that government, and the vendor, expected development cost to be \$4.5 million and the system to be operational within three years.

9.57 In 1999 government estimated the contract was only 50% complete. Costs were more than double the original contract price and were approaching \$9.5 million. By early 2000 the contract was still only 70% complete and costs were over \$20 million.

9.58 We reviewed the contract to see if it contained adequate provisions to protect the Province from budget overruns such as this. We found the contract had provisions that allowed it to be terminated if progress was inadequate or costs too high. However, whatever monitoring was done did not result in any such action by the Province. With the slow progress and high costs associated with the early stages of this project it should have been apparent that a serious problem existed.

9.59 One of the factors that may have increased the chance that delays and cost overruns were not addressed early in the project is the lack of effective monitoring. For monitoring to be effective, it is necessary that someone without direct involvement in the contract perform the monitoring. It is also important that reporting of any serious problems should take place immediately.

Recommendation

9.60 We recommended that there be an effective monitoring process for contracts where the risk to the Province of incurring unexpected costs or unexpected delays in delivery are significant. We recommended that the Department of Supply and Services undertake this responsibility.

Departmental response

9.61 *(This) recommendation ... requires considerable analysis since it would shift a portion of other departmental responsibilities to this department. Under current practice, a department provides the specifications for their procurement needs and accepts delivery when satisfied the specification is met. While we may assist departments in the process of determining the specifications or the means to obtain what they*

need, we consider our role should not include a measurement or assessment of the product or service procured.

9.62 *We do consider, however, that a Contracts Office within the Department of Supply and Services could perform a number of important and desirable functions including:*

- developing and maintaining a range of standard contracts and clauses;*
- maintaining a central repository of government contracts;*
- providing technical advice and assistance on contract development; and*
- ensuring all government contracts contain essential terms to meet requirements for quality, timing, cost control, and assessment.*

9.63 *The Central Purchasing Branch is prepared to develop a proposal for a Contracts Office with estimated resource costs for Board of Management consideration.*

9.64 In the case of the second contract, signed in 1999, an expression of interest (EOI - an initial offering which is sent into the market to see if any suppliers are interested in the work and to get a rough idea of what the cost might be) was sent out for the required services. Several replies were received together with price estimates.

9.65 In the normal tendering process the next step would be to request a proposal from each of the firms which submitted the EOIs. Then an evaluation of the proposals would be made and the Department would award the contract to the best bid. However a decision was made by the Board of Management to stop the tendering process at the expression of interest stage and instead award the contract using the economic benefit exemption.

9.66 The contract was awarded for \$2.6 million a year for three years. Two of the expressions of interest, and the department's own cost estimate, were substantially below the cost of the contract awarded. In fact over three years the cost of the contract awarded will be \$7.8 million versus another vendor's estimated cost of \$3.9 million.

9.67 We reviewed the Department's purchasing file for this contract to see if there was evidence to indicate whether any of the other bidders were asked to submit any "economic benefits" that would arise from their being awarded the contract. We found no evidence that any of the other vendors were asked to submit their economic benefits before the contract was awarded.

9.68 We recognize the Board of Management's right to grant an exemption where it is established there will be a significant economic benefit to the Province. Our concern is related to the lead-up to that

decision being made. We believe it would be beneficial for the government to have an indication of potential economic benefits from other qualified suppliers before making a final decision.

Recommendation

9.69 We recommended that the Department review the current process surrounding the granting of exemptions on the basis of economic benefits to see if a change can be made that will involve more suppliers and, in turn, create more competition before a final decision is made.

Departmental response

9.70 ... the Department would be prepared to review the use of this exemption, however, it is a seldom used exemption. The review should include consideration of the need for public purchasing regulatory and agreement issues to be addressed with the Department prior to Board consideration of economic development exemption requests.

9.71 We were unable to establish the reason for some exemptions. These include exemptions for the services of financial analysts, the management of investments of financial assets and liabilities, and public relations and advertising. For example a payment to a financial manager was one of our tested purchases. As a financial manager they are exempted from tendering under section 27.1 of the Regulation. The benefit to the taxpayers of not tendering is unclear. Certainly there are many financial managers in the marketplace that could compete for the business. If there is a concern with service quality then a type of tender (Request for Proposals) could be used that ensures that both price and quality of service are considered in the hiring process. Perhaps the department requesting the exemption should be required to demonstrate that the exemption is necessary and beneficial.

9.72 Other exemptions exist that can reduce or eliminate competition and restrict suppliers' access to contracts. For instance, section 27 of the Regulation allows a professional to be exempted from the provisions of the Act, but only when another piece of provincial legislation requires that the service may only be provided by that professional. Ten professions are covered by this exemption including chartered accountants, barristers, dentists and engineers. The private sector routinely hires these professionals and, in many cases, obtains bids from competing professionals so that they get the best price and the best quality of service. Additionally, government successfully hires many other service providers using a competitive process. To give a blanket exemption from competition to these professions would appear inappropriate and not in keeping with the principle of fairness conveyed by the Act.

9.73 It would also appear that some departments might be using this exemption inappropriately. For example, a recent consulting contract was awarded to a lawyer without competition at \$250 per hour. This contract was not subjected to competition because government exempted the contract by applying section 27 of the Regulation. However, an exemption

is only allowed under section 27 where legislation specifically sets out that a lawyer must perform the service. In this case the work was for consulting services related to improving the operations of a government department. Unless some legislation restricts the consulting work to the legal profession, the exemption was used inappropriately. We are not aware of any legislation that provides this restriction.

9.74 As can be seen from the above, exemptions can have significant effects on whether the intent of the Act is complied with. Exemptions can allow selected suppliers to obtain contracts without competition and prevent other suppliers from having access to these contracts. In our opinion the Department should ensure that an exemption is only granted where it can be shown that the exemption is clearly applicable and of benefit to government.

9.75 As well it would be appropriate that all exemptions are reviewed on a regular basis and their use continued only where the exemption serves a useful function.

Recommendations

9.76 We recommended that the use of exemptions be reviewed for compliance with legislation.

9.77 We recommended that the Minister review exemptions from time to time to ensure they continue to be justified. Where necessary, they should be restricted or eliminated.

Departmental response

9.78 To cover the audit report's findings, a broad review of events regarding exemptions, their use, and possible reduction and/or consolidation will be initiated. The full review would culminate in a proposal to amend purchasing Regulations and the Act, where appropriate.

Conclusion

9.79 The Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation with respect to the granting of exemptions. However, we did find examples of what we considered the inappropriate use of an exemption.

Preferences

9.80 Using preferences in awarding contracts allows the Minister to promote suppliers in New Brunswick and the Atlantic Provinces by awarding contracts to them even when their bid is not the lowest. Preferences have not been used often in the past. For example in 2000-01 only fifteen preferences were granted with the largest being approximately \$1,700, or 4.2 %, on a \$42,000 contract for printing.

9.81 Our audit work revealed an inconsistency between legislation and policy. Legislation establishes that preferences are not to be granted to suppliers for the purchase of supplies over \$25,000 except when all Canadian vendors are invited. However the Branch's manual allows

schools to grant preferences to Atlantic Provinces vendors on purchases of supplies over \$25,000. The two are in conflict. The Department noted that the conflict exists because legislation does not match the internal trade agreements exactly. None of the fifteen preferences granted in 2000-01 were for supplies over \$25,000.

Recommendation

9.82 We recommended that the Department ensure legislation and policy covering the granting of preferences over \$25,000 for schools are consistent.

Departmental response

9.83 *(This) recommendation ... has been accepted and steps taken to correct. We note that there were no cases where the policy compromised the legislation and the Department would have determined the legislation to override the policy, should a case occur.*

Conclusion

9.84 With the exception of the inconsistency between policy and legislation for schools, the Department of Supply and Services has appropriate systems and practices in place to ensure the Minister is fulfilling his responsibilities under the *Public Purchasing Act* and Regulation with respect to the granting of preferences.

Ensuring compliance with legislation

9.85 The Act contains many provisions that apply to departments and government funded bodies and specifically charge them with certain responsibilities under the Act.

9.86 Departments are required to purchase nearly all of their supplies and services through the Department of Supply and Services. Only in a few cases such as where services are \$10,000 or less or certain supplies and services are exempted under Regulation, may a department purchase directly without using the Department of Supply and Services. Since the Department of Supply and Services does most of the purchasing for departments, their responsibilities under the Act are relatively simple. However departments must understand when they can purchase without using the Department.

9.87 Government funded bodies include municipalities, hospitals, universities, and most Crown corporations. Unlike departments, they do most of their purchasing directly and do not have to use the Department of Supply and Services to purchase their supplies and services. That means that they must take responsibility for complying with many provisions of the Act. For instance, as government funded bodies tender for supplies and services they also must comply with the provisions that deal with tendering. As they grant exemptions under the Act they must also comply with any relevant provisions.

9.88 To accomplish this, all parties have to understand their responsibilities and how to apply the Act in all possible situations. As such, education and enforcement are essential parts of ensuring the Act is complied with.

Education of departments and government-funded bodies

9.89 The Minister is responsible for administration of the Act. In our opinion this responsibility would include ensuring those covered by the Act are aware of their responsibilities and how to fulfil them.

9.90 Central Purchasing Branch clearly recognises this responsibility by stating that one of its goals is “to ensure that all government departments, agencies and government funded bodies clearly understand the legislation, policies and procedures related to public procurement.”

9.91 The Act makes no reference to education and the Branch’s manual does not document any systems and practices for the education of departments or government funded bodies. While the manual has no documented systems to deal with education, the Department does address this responsibility. However its systems are informal in nature and are a mixture of reactive and proactive measures. Some of the significant measures the Branch uses are described in the following paragraphs.

9.92 The Branch has provided educational opportunities for all departments and government funded bodies covered by the Act through symposiums, the last being a comprehensive session held in April of 2001. All of these parties were invited and had an excellent opportunity to learn about changes in public procurement and to update their existing knowledge. However the previous symposium was held five years before.

9.93 The Department has established a website which provides general information on public purchasing, links to related websites, a link to the Act and other useful information. The Department will provide help to staff from any government body that calls with their problem.

9.94 With regards to education aimed specifically at departments, presentations have been made from time to time at their request or because the Branch has become aware of a departmental compliance problem. Additionally in 1996 the Deputy Minister of Supply and Services requested that a Procurement Co-ordinator be established in each government department. These positions have now been established. To ensure that a Co-ordinator’s knowledge is current the Branch has provided training for them on an annual or semi-annual basis. Feedback from several Procurement Co-ordinators indicated that they found the information provided to them and their departments to be very good.

9.95 Additionally the Branch has just developed a new purchasing manual to help departments. We reviewed this manual and found it to be very informative and useful. We believe it will help the Branch improve delivery of its educational responsibility and it will be a useful tool for others. Distribution of the manual has commenced with the recent issuance to the schools.

9.96 Vis-à-vis government funded bodies, and in addition to the symposiums mentioned above, the Branch made purchasing presentations

to municipalities and hospitals in 1999 and in 2001 it made a presentation to schools.

9.97 Our review of several of these presentations to departments and government funded bodies demonstrated they were comprehensive and set out the major provisions of the Act that departments and government funded bodies need to be aware of.

9.98 To better assure delivery of education to all government bodies we believe that the Branch should establish a formal written policy regarding education and adopt a planned cyclical approach to its presentations, supplementing the educational sessions that are prompted by requests or by changes.

Recommendation

9.99 We recommended that the Department establish a formal policy for educating all parties subject to the Act. This would ensure that a commitment is in place to provide the basic training on a cyclical basis.

Departmental response

9.100 ... the branch has undertaken initiatives, as you have indicated, to enhance knowledge of procurement policy and regulations and we remain committed to this effort in our work plans and activities. We are prepared to create a policy on education, as recommended.

Conclusion

9.101 Except for the lack of a formal policy for training, the Minister has met his responsibilities for education.

Enforcement

Departments - responsibility of the Comptroller

9.102 Section 5(1) of the *Public Purchasing Act* states:

the Comptroller shall refuse the payment of money out of the Consolidated Fund to satisfy a commitment by a department to purchase services or supplies unless the Comptroller is satisfied

(a) that the services or supplies were purchased by the Minister on behalf of the department, or

(b) that the department was authorized by this Act or the regulations to purchase the services or supplies otherwise than through the Minister.

9.103 In essence, the Act states it is the Comptroller's duty to ensure that the Department of Supply and Services makes all purchases for departments unless the Act states otherwise. The Act also requires that the Comptroller ensures purchases made directly by departments are authorised by the Act before he makes any payment. However the Office of the Comptroller limits its testing of disbursements to selected post audits of departments and does no pre-audit of payments to ensure that purchases made directly by departments are authorised under the Act. The Comptroller has delegated that responsibility to departmental personnel.

9.104 We believe that legislators saw the need for someone independent of the department purchasing the supplies or services to decide if purchases were authorised by the Act before being paid. If legislators had not intended this, there would have been no need for section 5(1) of the Act.

Conclusion on Comptroller's responsibilities

9.105 The Comptroller is not fulfilling his responsibility for enforcement as set out under the Act.

9.106 We brought this matter to the attention of the Comptroller. In response, the Comptroller pointed out the ways in which his office ensures that purchases made by departments are in accordance with the legislation. We do not question that, as stated by the Comptroller, "the current method of proper systems of internal control in each department, supported by clear policy statements and supplemented by focused post payment audit activity is a much more cost-effective approach" than pre-audit of transactions. Nevertheless, this approach will not enable the Comptroller to meet the requirement of the legislation that he "refuse payment" if he is not satisfied with the transaction.

Departments – responsibility of the Department of Supply and Services

9.107 We attempted to determine whether the Department had a duty to formally notify the Comptroller of his failure to meet his responsibility under the Act. Since the Minister is responsible for the Act and it was known that a significant responsibility was not being met, it would seem that the Minister should have formally notified the Comptroller of his concern.

9.108 Departmental staff did discuss the matter informally with the Comptroller. However, no changes to the Comptroller's procedures took place and the Department took no further action to either ensure compliance with legislation or to initiate a change to legislation.

Recommendation

9.109 **We recommended that the Minister of Supply and Services formally communicate to the Comptroller, the failure to meet legislated responsibilities.**

Departmental response

9.110 *the Department of Supply and Services would be prepared to formally communicate with the Comptroller to initiate consideration of appropriate responsibilities of both departments and finalize a proposal to address audit and enforcement.*

9.111 The Regulation to the Act requires departments to submit several annual reports on purchasing activities to the Minister. Section 46 of the Regulation requires departments to submit annual reports to the Minister of total services purchased with an estimated cost of \$10,000 or less. It also requires a report of the total of all service and supply purchases made under exemptions covered by sections 31 to 44. These exemptions include a broad range of items including school textbooks, equipment and supplies used in the home dialysis program, prescribed drugs for inmates

at provincial penal institutions and works of art for decorative purposes. Both reports are to be submitted annually within 90 days of the fiscal year end.

9.112 Both of these reports cover departmental purchasing activities that the Minister has no direct involvement with. Departments make these purchases and apply these exemptions themselves. Thus the Department of Supply and Services has little knowledge of these purchases unless they receive these reports.

9.113 These reports could help the Minister identify irregularities in purchasing and improve the enforcement of the Act. They might also reveal trends that warrant investigation by the Department.

9.114 None of these reports have been submitted as required. Nor has the Minister taken any steps to obtain reports, thereby not following a legislative requirement that would help identify non-compliance with the Act.

9.115 In the case of exempted professional services, there is no requirement for reporting to the Minister. The Minister therefore has no way of knowing the extent to which professional services are being obtained on an exempted basis. We were surprised to see this because of the Minister's responsibility for administering the Act and the fact that reporting is required for all other departmental exemptions over \$1,500. We believe annual reports on exempted professional services would give the Minister meaningful information on the extent, frequency and trends of such purchases.

Recommendations

9.116 We recommended the Minister ensure departments submit the annual purchasing reports as required by legislation.

9.117 We recommended the Department receive reports on exempted professional services purchased by departments.

Departmental response

9.118 *While the Department of Supply and Services has no difficulty with a requirement for annual purchasing reports, the processing and analysis of this material would require additional resources not available at this time. We are prepared to reassign enough existing resources to develop an electronic reporting template and conduct an analysis to determine the nature and scope of concerns. This should be sufficient to determine if new priority and resources need to be assigned to this area.*

9.119 *The requirement for departments to report on exempted professional services would require an amendment to legislation and this could be incorporated in the proposal to update legislation and regulations.*

Conclusion re Minister's responsibility

9.120 The Minister is not fulfilling his responsibilities for the enforcement of departmental compliance with the Act.

Government funded bodies

9.121 As noted earlier, government funded bodies have responsibilities under the Act, with the tendering of supplies and services and granting exemptions being two of the more important ones. Along with the responsibility to perform these duties is the expectation that they will comply with the associated provisions of the Act.

9.122 The *Public Purchasing Act* does not specifically assign responsibility to the Minister for ensuring government funded bodies comply with the Act. However, as mentioned earlier, the Minister is responsible for administration of the Act. We believe this includes ensuring government funded bodies are meeting their responsibilities under the Act.

9.123 To ensure that government funded bodies are complying with the Act, it is necessary that the Minister has the right to examine their records. The Department believes it has the authority to ensure compliance but the Act does not clearly give that authority to the Minister.

Recommendations

9.124 We recommended that the Minister ensure that legislation clearly assigns responsibility for ensuring the compliance of government funded bodies with the Act.

9.125 We recommended that the Minister ensure that legislation clearly gives him the right to examine the records of government funded bodies.

9.126 Sections 44.1 and 45 of the Regulation require each government funded body to keep purchasing information on any exemptions from tendering that it has allowed using section 27.1 of the Regulation. This includes information on each purchase for which an exemption is used, such as date, vendor name, price paid and the reason for the use of the exemption. Section 4(6) of the Act allows the Minister to request a report from a government funded body for whatever reporting information the Minister requires. The Minister could use the information to help him ensure that government funded bodies are complying with the Act.

9.127 At this time the Minister is not requesting any reports from government funded bodies. As well, the Minister is not performing any audit procedures to ensure that government funded bodies are fulfilling their responsibilities under the Act.

Recommendation

9.128 We recommended that the Minister put in place systems and practices to ensure the compliance of government funded bodies with the Act.

Departmental response

9.129 *(This) ... will require additional resources to conduct interdepartmental consultation with departments that are responsible for these bodies.*

Fairness in the purchasing process

9.130 The Department accepts a responsibility under the Act to ensure that suppliers have a fair and equal opportunity to compete for government contracts. However if the Act does not apply to certain purchases, and there are no other legislated requirements in place to guide such purchases, some of them may be made in ways that do not provide vendors equal opportunity to compete for government contracts. In our work we have found many instances where government can purchase supplies and services in this manner.

9.131 Purchases can be exempted from the Act when departments purchase services less than or equal to \$10,000 or when government funded bodies purchase supplies of \$25,000 or less or purchase services of \$50,000 or less. In other situations, specific supplies and services are exempted by the Act. (For example, purchases such as certain professional services, supplies for resale, advertising or public relations services and purchases of an urgent nature.)

9.132 When purchases are not covered by the Act there are no legislated procedures set out to guide the determination of the successful vendors. This allows these supplies and services to be purchased without regard to the purpose of the Act.

9.133 The Department has developed a process to use in situations where it is requested to purchase exempted supplies or services for others. This process includes a practice of price solicitation from several vendors wherever practical. This gives more vendors an opportunity to bid on the contract and to add competition to the process.

9.134 We believe a process such as this should be introduced to provide an element of competition for all government purchases not covered by the Act. A similar option would be to use the process required by legislation for purchasing supplies between \$1,500 and \$5,000.

Recommendation

9.135 **We recommended that the purchasing of exempted supplies and services follow a process that will ensure a fair and equal opportunity to compete for government contracts.**

Chapter 10

Department of Supply and Services

Contracts for IT Professionals

Contents

Background	223
Scope	223
Results in brief	224
Results from examining the forty departmental contracts	224
Matters reported to individual departments	229

Department of Supply and Services Contracts for IT Professionals

Background

10.1 The purpose of this review was to determine departmental compliance with the terms and conditions of the Informatic Professional Services (IPS) contract of supply. This supply contract was established for the services of various Information Technology (IT) professionals in order to eliminate the need for tendering each time a department required an individual for a project. Our Office had an interest in this area because of our findings from a prior year audit of expenditures. In this prior audit, we found a number of anomalies associated with payments for information system professionals under this contract. We found instances where: the amount paid was higher than the amount indicated in the contract; a department appeared to have been billed for the same service twice; and the mathematical accuracy of the invoice was not verified before a payment was made, resulting in a monetary error. Because of these problems, we decided to look into this area in more detail.

Scope

10.2 Our audit consisted of an examination of payments made under forty IPS contracts from six departments in the period 1 April 2000 to 31 August 2000. The majority of the forty contracts were for a one-year term and they totalled \$4,494,379. The six departments we reviewed, along with the number of contracts in each, are shown in Exhibit 10.1.

*Exhibit 10.1
Breakdown by department of the
contracts reviewed*

Department	Number of Contracts	Total Value of Contracts
Health and Wellness	10	\$1,605,000
Finance	1	130,000
Office of the Comptroller	4	589,330
Supply and Services	9	884,416
Training and Employment Development	1	135,463
Transportation	15	1,150,170
Total	40	\$4,494,379

Results in brief

10.3 The Department of Supply and Services should modify the IPS terms and conditions to more explicitly define the intent of the

contract of supply. In particular, the Department should provide examples of acceptable and unacceptable use of the IPS, including when departments should tender a service versus using the IPS.

10.4 The Department of Supply and Services should modify the IPS terms and conditions to clearly define key terminology, in particular the terms “specific skills”, “short-term needs” and “complete technology project”. The Department should also provide examples on how to appropriately structure contracts.

10.5 The Department of Supply and Services should modify the terms and conditions of the IPS to include a clause indicating departments are responsible for monitoring and tracking contracted individuals' time for all contracts arranged under the IPS. In our review, we found that in 60% of the cases this was not done.

10.6 The Department of Supply and Services should release the IPS contract to departments earlier. This would provide departments with adequate opportunity to comply with the terms and conditions of the IPS, in particular the requirement to obtain three quotes. We found that in 88% of the contracts reviewed, departments did not obtain three quotes. Releasing the IPS earlier would also help departments plan their IT activities, especially if they have key skills contracted under this agreement.

Results from examining the forty departmental contracts

10.7 In this section of the chapter, we discuss our observations and recommendations resulting from our review of all forty contracts. Exhibit 10.2 illustrates our combined testing results. The majority of the attributes we tested have significant violations. We analyzed these results along with information we learned from discussions with departmental IT directors and staff in the Central Purchasing branch of the Department of Supply and Services. We make a number of observations as to what we believe contributed to such a large number of errors and make some recommendations on how such errors could be reduced in the future. Most of our comments relate to improvements needed in the terms and conditions of the IPS. However, we also make comments that relate to Central Purchasing and its role in communicating information to departments.

Improvements needed in IPS

Key terminology should be defined

10.8 The IPS was designed "to establish an eligibility list for informatic professional services providers with expertise in the information technology field". There are two conditions where departments can use the IPS:

Condition 1: To acquire “specific skills” for “short-term needs” with a cost not to exceed \$250,000; or

Condition 2: To undertake a “complete technology project” with a cost of \$25,000 or less.

*Exhibit 10.2**Testing results based on a sample size of forty contracts from six departments*

Attribute	Number of Violations (out of 40)	Error %
Clear description of requirement	17	43%
Evidence of three quotes	35	88%
Time sheets adequately tracked	24	60%
Contracts sent to Supply and Services	19	48%
Statement of total payments on file	29	73%
Contract exceeds \$250,000 limit	1	3%
Contract categories agree with IPS categories	4	10%
Contract eligible under IPS (short-term needs AND specific skills)	28	70%

10.9 From our review of the terms and conditions of the IPS, we observed that the three key terms in these conditions (specific skills, short-term needs, and complete technology project) are not defined. By not defining these terms, Central Purchasing has left the interpretation of the terms up to departments. From our review, we also noticed that departments are interpreting these terms in ways that can suit many different situations. Not all of these situations, in our opinion, should necessarily be contracted under the IPS. We believe the definition of key terms is critical if Central Purchasing hopes to achieve departmental compliance with this contract.

***Condition 1: To acquire
“specific skills” for “short-term
needs” with a cost not to exceed
\$250,000***

10.10 During our review of the forty contracts, we concluded that at least 70% of the contracts were not eligible under this contract of supply. We determined this by assessing whether or not the contracts met the key term “short-term needs”. We were unable to determine if contracts met the condition of “specific skills” as we did not believe we had the necessary knowledge to make a proper assessment. In our sample we did not encounter any contracts for “complete technology projects”.

10.11 Before assessing whether or not a contract was for a “short-term need”, we needed to define this term. For the purposes of our review, we believed a reasonable definition of a “short-term need” to be under one year. We used this definition as a guideline when evaluating the contracts. However, we accepted contracts with longer lengths if the “specific skill” had a definite start and end date.

10.12 From our review, we noticed the majority of contracts had a term of one year – 1 April 2000 to 31 March 2001. We also noticed departments tended to renew these contracts each year. We expected to find contracts of varying lengths depending on the time needed for that particular “specific skill”. Instead, we found fixed-term contracts that were often for work that seemed on-going in nature, such as help desk, system maintenance, long-term software development, etc. We do not believe work that is renewed each year should be eligible under this type of contract.

10.13 We also noticed that in cases where contracts were on-going in nature, departments had difficulty providing a clear description of the requirement. (Providing such a description is a requirement of the terms and conditions. In particular, the terms and conditions require a start and an end date.) In these cases, the description was very brief – lacking the detail we expected. In fact, in all of the seventeen contracts we assessed as not having a clear description of the requirement, we also assessed them as not being eligible under the terms and conditions of the IPS.

10.14 As mentioned above, we ignored the “specific skills” part of condition 1 when assessing a contract's eligibility under the IPS. One thing we did notice, however, was that by not defining what is meant by a “specific skill”, departments could interpret this term in such a way as to avoid exceeding the \$250,000 limit per contract.

10.15 The following example illustrates this point. During our testing, we identified one contract that had exceeded the \$250,000 limit. This contract related to one individual and covered a twelve-month period. The individual was performing two different skill sets during this period. Each skill set was under the \$250,000 limit. The department thought that by splitting the work into two skill sets, it had avoided the \$250,000 limit. However, it arranged only one contract for both skill sets.

Recommendations

10.16 We recommended the Department modify the IPS terms and conditions to more explicitly define the intent of the contract of supply. In particular, the Department should provide examples of acceptable and unacceptable use of the IPS, including when departments should tender a service versus using the IPS.

10.17 We recommended the Department modify the IPS terms and conditions to clearly define key terminology, in particular the terms “specific skills”, “short-term needs” and “complete technology project”. The Department should also provide examples on how to appropriately structure contracts.

Terms and conditions do not require departments to track contracted individuals' time

10.18 The terms and conditions of the IPS do not require departments to monitor or track contracted individuals' time. We believe monitoring/tracking of time is an essential component of the contracting process. This is the only way for departments to ensure they pay for actual services rendered. From our review we noticed that in 60% of the cases, departments failed to adequately track contracted individuals' time. From this, one would conclude that having this requirement included in the terms and conditions may be necessary as departments do not seem to be fulfilling this monitoring function. We noticed varying degrees of monitoring during our review of the contracts. In some cases, departments were receiving but not approving time sheets. In other cases, departments were not agreeing time sheets to invoices. And finally, in some cases, departments were not even receiving copies of the time sheets.

10.19 We believe that good management practices dictate that someone should be accountable for these functions. Ideally, employees of the department should be ensuring contracted individuals are working on appropriate projects and are accurately billing the department for their services. In addition, an employee should be agreeing the time sheets to the time charged on the invoices. One department noted that having a departmental employee performing these functions is difficult. This situation results from having the majority of the IT department outsourced to private companies. However, as a general principle, we believe someone from the department should be monitoring and approving the contracted individuals' time.

Recommendation

10.20 We recommended the Department modify the terms and conditions of the IPS to include a clause indicating departments are responsible for monitoring and tracking contracted individuals' time for all contracts arranged under the IPS.

Improvements needed in communications with departments

Timing of release of IPS contract should be improved

10.21 Discussions with departments indicated that they were unhappy with the timing of the release of the IPS. The IPS was released on 31 March 2000. Many departments had contracts that expired on that date. These departments could not begin renewing their contracts until the new IPS was released, as they were uncertain whether the IPS was actually going to exist. As a result on 1 April 2000, departments immediately renewed their contracts to ensure IT services would not be interrupted. This was one of the reasons departments gave for not complying with the requirement to obtain three quotes. (88% of the contracts we reviewed had no evidence that this was done.) Departments were more concerned with having their operations continue, rather than ensuring they were getting the best value for money that might have been provided by obtaining three quotes.

Recommendation

10.22 We recommended the Department release the IPS contract to departments earlier. This would provide departments with adequate opportunity to comply with the terms and conditions of the IPS, in particular the requirement to obtain three quotes. Releasing the IPS earlier would also help departments plan their IT activities if they have key skills contracted under this contract of supply.

Departmental response

10.23 The Deputy Minister of the Department of Supply and Services provided the following response to our findings:

The Department of Supply and Services welcomes the opportunity to improve the processes and procedures for procurement of services such as the Informatics Professional Services Contract, particularly where the department has only been tendering such services since 1995. In fact, I had previously asked that a number of these issues be reviewed prior to the next contract.

The first generation contracts were developed without great knowledge of the type and amount of expertise required. The most recent contract has provided a much better understanding and specification for the type of informatic services required. We also recognize that an important priority for the most recent Informatics Professional Services Contract was to provide flexibility to address identified needs as government addressed the year 2000 challenge.

The department has recognized a number of shortcomings in the Informatics Professional Services Contract of Supply and undertaken the following initiatives:

(1) a committee made up of staff from Central Purchasing and CIMS has been tasked with the responsibility to develop more detailed specifications for the upcoming contract. This would include definitions for "specific skills", "short term" needs, and "complete technology project", as mentioned in your report. The committee will also assist departments by developing standardized statements of work, contract templates, and tracking and monitoring processes.

(2) this department will develop and send a notice to client departments concerning: documentation of quotations from vendors, improvements necessary for monitoring contractor billing amounts/timesheets, the need to forward contracts to Central Purchasing, the need for complete statements of work, and advising departments to ensure contract language is consistent with the Informatics Professional Services categories, etc...;

While the Department has recognized that improvement can and will be made for the next contract, our staff in both Purchasing and CIMS do not believe that user departments were undertaking anything but important and needed informatics related work.

The threshold point between specific project tendering and use of the Informatics Professional Services Contract does need review and there may, in future contracts, be projects purchased under different contracts of supply or by individual tender, but we would not expect the range of services required to be much different than it was during the period of the audit. It is hoped that the audit comments regarding project ineligibility are not misinterpreted. There is regular and close contact between DSS staff and IT personnel in other departments and we are not aware of any instances of unnecessary or unproductive informatics work being undertaken. The issues are one of process, not whether the work needs to be done.

Matters reported to individual departments

10.24 In addition to reporting our overall findings and conclusions to the Department of Supply and Services, we reported our detailed findings and made recommendations to each department responsible for the contracts we examined. The responses in most cases indicated that changes would be made to improve compliance. Following is a summary of our detailed findings.

Evidence of three quotes not obtained for all contracts

10.25 Under the terms and conditions of the IPS contract, departments are required to obtain three quotes from different companies before awarding contracts. Discussions with departmental staff indicated they usually call companies before awarding the contracts. However, in five of the departments we tested, there was often no evidence on file to indicate that this was done. For example, the Department of Supply and Services was able to provide evidence of three quotes for four of the nine contracts we reviewed. An example of a contract where we were unable to find evidence of three quotes related to an individual working as a senior systems analyst. The contract covered the period 1 April - 31 March and the individual was contracted to work 240 days at four hours per day. The total contract amount was \$96,000. We encountered a similar situation in the Department of Health and Wellness. In this case it related to an individual working as a project manager. The contract covered the period 1 April - 31 March and the individual was contracted to work for 225 days. The total contract amount was \$135,000.

10.26 We believe that obtaining three quotes is necessary as it demonstrates that a department gave an opportunity to several suppliers to bid for the services. Also, it improves a department's ability to receive a better price for the services to be rendered. This information should be documented in all cases. If three quotes are not obtained, an explanation should be noted on file.

Recommendation

10.27 We recommended that departments obtain at least three quotes from vendors before awarding an IPS contract. These quotes should be documented and kept on file with the signed contract. In cases where it is not possible to obtain three quotes, the IT director should document the reasons why.

“Statement of Work” varied in quality

10.28 Under the terms and conditions of the IPS, each contract file should contain a clear statement of the requirement, which includes a description of the services to be provided with start/end dates. This is often referred to as a statement of work.

10.29 We noticed the quality of the statement of work varied from contract to contract. For example, some contracts had excellent descriptions of the services to be provided and the scope of the work was very detailed and clear. However, in four of the departments we tested this was not always the case. We think the practice of the Department of Supply and Services of including a detailed statement of work in the contract helps to eliminate any potential problems or disagreements which

may arise over the scope of the work. We would like to see this level of detail in all contracts.

Recommendation

10.30 We recommended that each contract contain a clear and detailed statement of work.

No statement of total payments on file

10.31 The terms and conditions of the IPS require that each contract file contain a statement of total payments made. In many of the contract files we reviewed, we did not find any such statement. Tracking payments is necessary not only to meet the terms and conditions of the IPS, but also to ensure that a department does not exceed the contracted amount.

Recommendation

10.32 We recommended that departments ensure each IPS contract file contains a statement of total payments made for the contract as required by the IPS terms and conditions.

Chapter 11

Follow-up on Prior Years’ Audit Work

Contents

Background	233
Scope	233
1997 recommendations	234
1998 recommendations	236
1999 recommendations	238

Follow-up on Prior Years' Audit Work

Background

11.1 Our policy is to track the disposition of our recommendations for a period of four years after they first appear in our Report.

11.2 We do not prepare an update after the first year as we wish to provide the departments and agencies the opportunity to take action. After years two, three and four we prepare a status report, which shows the success achieved in meeting the recommendations. Where recommendations have been accepted and implemented we report on them just once.

11.3 This process corresponds to one of the performance indicators of our Office which reads as follows:

We will measure the extent to which the recommendations which appear in our annual Report are accepted and implemented. The disposition of all recommendations will be tracked for a period of four years.

11.4 In preparing the information in this chapter, we request written updates from the respective departments and agencies. We follow up on these updates by meeting with appropriate officials in each department or agency to review the action described in the updates.

Scope

11.5 This chapter includes an update on our 1997 and 1998 recommendations and for the first time we present an update on our 1999 recommendations. In prior years we concluded that a number of recommendations from the 1997 and 1998 years had been accepted and implemented. These are not carried forward to the 2001 Report.

11.6 There are three types of recommendations that will not appear in this update chapter; those that are accepted and implemented in the same year as the recommendation, those that require no direct action on the part of the department or agency and recommendations that may become irrelevant due to changes in government or government programs.

11.7 The reason some recommendations do not require action is that they are directed to a specific situation or event; for example, the Fredericton-Moncton highway chapter in 1999. For this chapter, the time

is past for the departments to address our recommendations because they relate only to the time during which the process was taking place. While these types of recommendations are not tracked in this chapter, it should be clear that they can have general application to government processes. In the example of the Fredericton-Moncton highway, much can be taken from our recommendations on the decision-making processes. The logical process that we describe can easily be applied to support future decisions.

11.8 This chapter refers to the original recommendations made by our Office and provides a current update. In some cases we do not refer back to recommendations in full detail. So in order to fully understand the issues that gave rise to our original recommendations, it may be necessary for the reader to refer back to the Auditor General's Report where we first discussed the audit and our findings.

11.9 Responsibilities assigned to departments and agencies can change from time to time, as can their names. For the purposes of this chapter, we refer to the department or agency that is currently responsible for the audit area.

Summary of the recommendations addressed in this chapter

Department/Agency	Audit area	1997	1998	1999
Health and Wellness	Air Ambulance	x		
Natural Resources and Energy	Mining Taxes and Royalties	x		
Supply and Services	Privatization	x		
Investment and Exports	Financial Assistance to Business and Performance Reporting		x	
Health and Wellness	Excellence in Education		x	
Health and Wellness	Hospital Corporation Governance		x	
Family and Community Services	NB Case System		x	
Finance	Consumption Tax			x
Environment and Local Government	Tire Stewardship			x
General	Performance Measurement and Effectiveness Reporting			x
Various departments	Contract Administration			x
Various departments	Leasing of Equipment			x
New Brunswick Liquor Corporation	Governance			x
Health and Wellness	Food Safety			x

1997 recommendations

11.10 This is the last year we will be updating the outstanding recommendations from the 1997 Report. It is the third consecutive year in which an update has been presented.

Department of Health and Wellness

Air ambulance

11.11 In our 1997 Report, we made six recommendations as a result of an audit of the air ambulance service that is administered by the Ambulance Services Branch of the Department. Four of the six recommendations have been implemented but there are still two which have not been fully implemented.

11.12 We recommended that clear, measurable objectives be designed for the air ambulance service and linked to the existing air ambulance mandate.

11.13 Although this was not achieved it is still targeted for completion within the next two years.

11.14 We recommended that incident reports and responses to questionnaires be summarized and included in regular reporting to Ambulance Services Branch management.

11.15 Although the recommendation was not implemented, we have been informed by the Department that the incident reports and surveys are now readily available to the branch. This partially addresses the concern we expressed.

Department of Natural Resources and Energy

Mining taxes and royalties

11.16 We made eight recommendations as a result of an audit of revenues received under the *Metallic Minerals Tax Act* and royalties pertaining to potash mining. At present the Department has implemented four of these. Three others have been partially implemented and only one has not been implemented.

11.17 Five of the eight recommendations related to potash mining leases and royalties. The only one that had not been implemented to date dealt with improving cash flow by requiring monthly rather than quarterly payments from potash producers. Although the Department agreed with the recommendation and attempted to make this change, the company involved did not agree to the revision in the lease negotiations.

11.18 Three of our recommendations related to the *Metallic Minerals Tax Act*. None of these have been implemented to date but, as stated in past years, the Department agrees with the recommendations and is taking steps to implement them. The legislative changes which are necessary to implement the changes were first expected for the 1998 fall session. However they are still in draft form.

Department of Supply and Services

Privatization of the Data Centre

11.19 In our 1997 Report, we made five recommendations as a result of an audit of the government's decision to privatize its data processing facility (Data Centre). Three of these recommendations were accepted and implemented while two of them have not been addressed to our satisfaction as yet. In both cases however there is evidence of departmental activity which may lead to a satisfactory resolution.

11.20 We recommended the Department of Supply and Services ensure the Consortium bring the Data Centre in line with control requirements set out in the chartered accountants' report.

11.21 The latest report from the Department is that it is continuing to move towards addressing the issues identified for improvement. However the recommendation has not been implemented to date.

11.22 Two significant issues are still outstanding, relating to the Data Centre's control procedures. The first is that the Data Centre is unable to obtain assurance that its security procedures surrounding the processing of transactions meet acceptable industry standards. The security system was developed in-house by the government more than twenty years ago. The second is that the Data Centre does not have a Disaster Recovery Plan that would enable it to continue to provide services to the government in the event of a major disruption. The Department has indicated that, because of the costs involved, these situations are unlikely to change in the near future.

11.23 We recommended the Department of Supply and Services take advantage of provisions of the agreement that transfer up to 15% of the mainframe personnel resource costs annually from mainframe to client server environments or re-negotiate this part of the agreement if necessary.

11.24 The Department informed us that they are shifting resources whenever it is possible but it is difficult to measure the transfer of resources as it depends on the main frame activity at the time.

1998 recommendations

Department of Investment and Exports

Financial assistance to business and performance reporting

11.25 We are updating the recommendations we made in our 1998 Report for the second time. A detailed update was first presented in our 2000 Report.

11.26 In our 1998 Report, we made twenty-two recommendations as a result of an audit of the Department's Financial Services section. This section provides financial assistance to business. We also made seven recommendations designed to help the Department to enhance the effectiveness of its performance reporting.

11.27 Our review of the status with the Department shows that, to date, two recommendations have been implemented, fourteen have been partially implemented and the remainder are not implemented.

11.28 The majority of the recommendations relate to the Financial Services Section. The Department agrees with our recommendations but in general there has been little change since we made the recommendations. Two of the recommendations were adopted in 2000. None were implemented in 2001, but some progress was made.

11.29 The Department has indicated that the policy and procedures manual is nearing completion. Its successful completion will deal with a number of our concerns. However it is important that the matters raised in our Report are both reflected in the manual and complied with.

11.30 The Department reports some improved practices in response to our recommendations but without the guidelines in the manual it will be difficult to sustain the improvements.

11.31 The seven recommendations concerning performance reporting were made to the Department of Economic Development, Tourism and Culture, a department which no longer exists. However in spite of the organizational changes that have taken place in government, we continue to emphasize the importance of performance reporting and we will track the progress of the new Department in meeting our recommendations.

11.32 The staff contacted agree with the recommendations on performance reporting. They are currently reviewing information leading to compliance with the provincial annual report policy. Some minor improvement was noted in their past year's report. Key results are being identified and strategic objectives are said to be near finalization for inclusion in the mandate. In general the work is preliminary in nature and none of our specific recommendations have been implemented.

**Department of Health and
Wellness**

Excellence in Education

11.33 In our 1998 Report, we made one recommendation as a result of our audit of the government's response to the recommendations of the Commission on Excellence in Education.

11.34 We recommended that the results of the evaluation of the Early Childhood Initiatives be tabled in the Legislative Assembly. This recommendation has not been implemented.

**Department of Health and
Wellness**

***Hospital corporation
governance***

11.35 In our 1998 Report, we made six recommendations to the Department relating to its responsibilities in the area of hospital corporation governance and accountability. Last year we reported that the Department had adopted three of these recommendations. There are still only three that have been implemented.

11.36 One of the remaining recommendations was that the Department should provide the hospital corporations with long-range budgets to facilitate board strategic and operational planning. Also that Boards should be given the opportunity to provide input into this long-range budgeting process. Nothing has been done to date but the Department indicated that this will be addressed with the introduction of a Regional Health Authority governance structure.

11.37 We recommended that the Minister/Department require the regional hospital corporations to develop performance indicators for their strategic objectives and set annual targets for each performance indicator identified. The Minister should approve these performance indicators and targets. The Minister/Department should also consider setting standard performance indicators for all regional corporations where considered appropriate. These could be used for comparative purposes.

11.38 In response to this recommendation the Department has undertaken the development of what is known as a “balanced scorecard” for measuring performance of the regional hospital corporation system. Four key areas of measurement are identified. This process should be completed by 31 March 2002. However this initiative only partially addresses the recommendation.

11.39 The Minister/Department still does not review and formally approve the strategic plans of the regional hospital corporations before they are adopted.

Department of Family and Community Services

NBCase system

11.40 One of two recommendations remain outstanding from an audit conducted on the implementation of the Department’s automated NBCase system.

11.41 We recommended that the Department prepare a full-cost analysis of alternative methods of operating and maintaining the NB Case system. We suggested the analysis should be prepared prior to the expiry of the agreement with Andersen Consulting.

11.42 As reported last year the Department chose to extend its maintenance contract with Andersen Consulting for two years. A full-cost analysis was not conducted at that time and to date there has been none conducted in preparation for the termination of the two-year extension.

1999 recommendations

Department of the Environment and Local Government

Tire stewardship

11.43 The 1999 recommendations are being updated for the first time.

11.44 The environmental dangers associated with storage or disposal of automobile tires are well known. We examined the planning and implementation aspects of the Tire Stewardship Program in New Brunswick. We also examined the operation of the program up to 31 March 1999. A total of eleven recommendations were presented to the Department of the Environment and Local Government at the conclusion of the audit.

11.45 We recommended the Department and the (Tire Stewardship) Board develop a timed action plan to clean up all remaining tire stockpiles.

11.46 We recommended the Department ensure the Board finalizes and submits a business management plan as soon as possible.

11.47 We recommended the Department explore the possibility of requiring the Board to provide more documentation of the monitoring function.

11.48 We recommended that the Chairman advise the Board on the importance of preparing written terms of reference for audit

engagements for the purpose of verifying compliance with selected aspects of Regulation 96-82.

11.49 We recommended that an engagement letter be obtained for each of these audits. The engagement letter should indicate the Board's reliance on the audit to ensure all suppliers hold valid registrations.

11.50 We recommended the Department ensure the Annual Report of the Board for 1998 and future years follows the provisions of Section 14 of the Regulation.

11.51 We recommended the Department include a contingency plan as a requirement to operate the scrap tire storage yard.

11.52 Since the Fire Marshall has special expertise in fire prevention and fire fighting matters, we recommended the Department and the Fire Marshall co-operate in assessing the appropriateness of the contingency plan.

11.53 These eight recommendations have already been implemented by the Department.

11.54 The remaining three recommendations have not been implemented and they are explained below.

11.55 We recommended the Tire Stewardship Board initiate a study to analyse the issues surrounding the growing liability for accrued processing fees.

11.56 No study has been prepared to date. However the Department informed us that the number of tires and the corresponding liability are declining.

11.57 We recommended the Department and the Fire Marshall develop a comprehensive plan that identifies who will inspect Tire Recycling Atlantic Canada Corporation (TRACC) for the various legislated and contractual requirements.

11.58 We recommended that the Department and the Fire Marshall work together to co-ordinate the scheduling, reporting and corrective action of all inspections of TRACC as required.

11.59 No written plan has been prepared. However there is some evidence that there may be an informal understanding between departments as to their responsibilities.

Department of Finance

Consumption Tax

11.60 Due to the replacement of Consumption Tax with Harmonized Sales Tax, we wanted to ensure that the assessment and collection

activities were not scaled back before adequately addressing the unassessed and uncollected taxes receivable. We reviewed the economy and efficiency of the accelerated efforts to identify unassessed provincial sales tax and to collect outstanding sales tax. We also reviewed whether the Department had established and reported satisfactory performance measures for these areas. Nine recommendations resulted from this work. As we explain below, four of these have been adopted so far.

11.61 We recommended the Department increase its disclosure in its annual report to include a comparison of budget to actual revenue and accounts audited. In addition, the Department should present the cost/revenue payback ratio for the Consumption Tax audit program.

11.62 We recommended that the Department's collections information system provide quick access to suggested priorities, courses of action and pertinent account information.

11.63 The Department reported that these two recommendations have been implemented.

11.64 We recommended that the Department maintain a listing that indicates who is responsible for collection activities on each receivable account on a monthly basis.

11.65 The recommendation has been implemented.

11.66 We recommended that collection procedures be clearly prescribed and documented. Deviations from these should be explained and immediately brought to the attention of management. Circumstances that influence the granting of payment arrangements and the forgiveness of penalty and interest should be clearly defined.

11.67 The recommendation has been implemented.

11.68 Formal objectives for the collection activity should be established. Measurable goals such as cost per dollar collected and percentage collected for the collection program should then be established, monitored, and reported. Results should be used to optimize resources dedicated to this task. These goals should be used to establish work plans for the collectors. Regular performance appraisals for the collectors should be done with reference to these work plans.

11.69 Work is under way in implementing this recommendation.

11.70 Write-offs of uncollectable accounts should be made more promptly to enhance accountability and improve financial reporting.

11.71 The Department is working towards the write-off of these accounts.

11.72 We recommended that the Department provide better disclosure of revenue by source in the Public Accounts and Main Estimates.

11.73 The Department disagrees and will not be implementing this change.

11.74 We recommended that the Department determine what the minimum rate of return per audit dollar spent should be and continue the special audit effort until this target is met.

11.75 The special initiative was halted in June of 1999 so it is apparent that the Department will not be implementing this recommendation.

11.76 The Department should maintain a vendor hold on all accounts that have been written off.

11.77 The Department did not adopt this recommendation.

Performance measurement and effectiveness reporting

11.78 In 1999 we examined the development of performance measurement and effectiveness reporting by the Province of New Brunswick over the ten-year period beginning in 1989. The year 1999 was significant because it marked the tenth anniversary of our Office's effectiveness reporting mandate and also the tenth anniversary of the Province of New Brunswick's first annual report policy.

11.79 We made one recommendation from our review of departmental annual reports. This was a key issue that was first raised in our 1995 Report. We believe that to assist the readers of annual reports, each annual report should discuss how it complies with the requirements of the annual report policy.

11.80 We recommended that the annual report policy be revised to include direction that each annual report should indicate how it complies with the policy.

11.81 No change has been made to the annual report policy to address the issue of disclosure of compliance with policy. We have committed to an awards process for each of the next three years to encourage compliance with the policy. Over this period, we may identify additional areas that the Province may want to consider in any future policy review.

Contract administration

11.82 It was readily apparent from our work and our findings in our 1997 and 1998 annual Reports that contracts between the Province and its suppliers are very important. More and more services were being delivered by the private sector and many contracts have lives extending

over multiple fiscal years. The objective of this audit was to determine what systems were in place to ensure contracts were being administered in accordance with negotiated terms and conditions. We examined eight departments in making this assessment.

11.83 We then extended our work to examine the process in more detail. We set two further goals for ourselves. We determined the extent to which contract performance was monitored and reported and the extent to which contracts deliver what was agreed. Contracts were reviewed in the Departments of Family and Community Services and Supply and Services.

General recommendations

11.84 Government should follow the Financial Administration Act requirement that all contracts be submitted to the Comptroller. If the application of the Act is seen to be impractical or if there is a better way to ensure control is exercised over contracts, then consideration should be given to amending the legislation.

11.85 The Office of the Comptroller responded last year that the Act would be changed to make the departments responsible for maintaining contracts. The change to the Act has been made.

11.86 A registry of contracts should exist at either the responsibility centre or departmental level. This registry should include information on key financial and non-financial undertakings and be organized in a manner which permits effective review and follow-up.

11.87 Based on the limited follow-up we conducted, we found that there is a mixture of practices in the departments but some registries were being used. However there has been no requirement issued that all departments must maintain a registry.

Family and Community Services contracts

11.88 We made nine recommendations to the Department. Five of these are now implemented while another three are partially implemented. Only one has not been implemented.

11.89 The Department should ensure that all contracts are negotiated and signed prior to the contract start date.

11.90 Not implemented. The Department indicated that because budget approvals occur late in the spring, not all contracts can be negotiated and signed prior to the contract start date (e.g. 1 April contracts).

11.91 The Department should review the appropriateness of applying the "Purchase of Service Standards" and its model contract, which links payments to volume, to those organizations for which grant funding is most appropriate.

11.92 The recommendation has been implemented. The necessary changes have been made to the External Services Program Policy.

11.93 Where the model contract is deemed appropriate, the Department should ensure that contracts with suppliers make explicit reference to the effect on payment schedules and amounts should the contractor fail to meet the anticipated volume.

11.94 The recommendation has been implemented. The model contract now makes reference to the impact of not meeting specified volumes.

11.95 The Department should ensure that contracts with suppliers make explicit reference to the effect on payment schedules and amounts should the contractor fail to comply with program standards.

11.96 The recommendation has been implemented.

11.97 Where a purchase of service contract is implemented, the Department should obtain relevant and complete information that can be used to assess contractor performance.

11.98 Partially implemented. A minimal amount of information was obtained by the Department.

11.99 The Department should ensure that the information obtained from contractors for use in assessing performance is reliable.

11.100 Partially implemented. A minimal amount of information was checked by the Department.

11.101 The Department should ensure that the conditions of all contracts formally and specifically request program and financial reporting where such reporting is deemed appropriate.

11.102 The recommendation has been implemented.

11.103 The Department should ensure adequate monitoring is undertaken for interim reporting required by conditions of its contracts with suppliers.

11.104 The recommendation has been implemented.

11.105 The Department needs to implement a more structured, proactive approach to ensure that services being provided by suppliers meet quality and other standards as specified in its contracts. This would include providing regular feedback to contractors on the satisfaction with their services.

Department of Supply and Services

Janitorial services contracts

11.106 Partially implemented. The necessary changes are still at the development stage.

11.107 Four recommendations were made to the Department and all were implemented.

11.108 The Department should ensure that the nature and frequency of contractor evaluations and the deadline for evaluations is specified within the conditions of future contracts.

11.109 The recommendation has been implemented. All new contracts include provisions to allow contractor evaluations on a regular basis.

11.110 The regular use of checklists to document the inspection by the Department of the cleaner's work should be considered.

11.111 The recommendation has been implemented.

11.112 The Department needs to implement a more structured, proactive approach to ensuring that services being provided by suppliers meet quality and other standards as specified in its contracts. Using checklists and conducting surveys of satisfaction with the service on a regular basis should form the basis of this approach.

11.113 The recommendation has been implemented. Regular inspections are now carried out as outlined in the contract.

11.114 The Department should provide regular, formal feedback to contractors on its satisfaction with their services.

11.115 The recommendation has been implemented. A written copy of reports is sent to contractors.

Leasing of equipment

11.116 Leasing, despite its attractiveness from a budget perspective, is often less economical than purchasing outright. This is particularly so in the case of the Province where most leasing companies could not match our low rates of financing. We conducted an audit to ensure that leasing decisions were made with due regard to economy and that they were properly recorded in the books of the Province.

11.117 In general there is no disagreement with our recommendations however new leases have been infrequent, making it difficult to verify that there have been changes to departmental processes as a result of the recommendations.

11.118 We directed the following recommendation to four departments as a result of the audit.

11.119 We recommended that in making future lease versus purchase decisions the department comply with the requirements of policy AD-6701.

11.120 According to information available since the date of the audit, all departments have accepted the recommendation. However only one of these departments has subsequently done any leasing.

11.121 Nine recommendations were made to the Department of Education. The following five recommendations have been accepted by the Department, however we were told that no leasing has taken place since the recommendations were made.

11.122 We recommended the Department of Education review the requirements of policy AD-6701 to ensure that the key elements of the policy are complied with in future leasing decisions.

11.123 We recommended that in future lease versus purchase decisions:

- an outright purchase cost be determined for the same asset or assets as specified in the lease proposal;
- the residual value should be based on documented evidence at the time of entering the contract;
- careful consideration should be given to the relative advantages of owning versus not owning and the results should be documented in the files;
- the analyst should use sensitivity analysis to provide an immediate financial measure of possible variances in forecasting;
- other key factors such as the “considered judgement” of the decision-maker should be appropriately documented in departmental records; and
- the recommended decision and the supporting documentation should be subjected to review by an appropriate senior official (or officials) to ensure the numbers used in the present value calculation are adequately supported and challenged, and that the calculation is done accurately.

11.124 We recommended that all lease agreements should provide a buy-out option at a reasonable price. Consideration should be given to such factors as dispute resolution and using an arbitrator to determine fair market value.

11.125 We recommended for future requests for proposals and tenders for leases, that the Department obtain an outright purchase price as one of the options. This would enable the Department to more easily determine and document the appropriate accounting treatment

for the leases. And it would allow the Department to separate the acquisition decision from the financing decision.

11.126 We also recommended that the Department take appropriate steps to ensure that the administrative policy is followed in the future.

11.127 Four other recommendations were made to the Department. One of these has been partially implemented.

11.128 We recommended the Department of Education develop a standard working paper or checklist to assist in the implementation of policy AD-6701.

11.129 This has not been done; however, as mentioned above there have been no new departmental leases.

11.130 We recommended that the Department classify this lease (264 servers and 271 workstations) as a capital lease.

11.131 This was not implemented; however, given the passage of time it would be too late to correct the error.

11.132 We recommended the Department evaluate all its present leases and clearly document its reasons for accounting classification decisions. All three conditions of the administrative policy should be addressed and documented in the exercise. Any changes resulting from the exercise should be discussed with the Office of the Comptroller to determine the impact on the financial statements of the Province.

11.133 This recommendation was not implemented.

11.134 We recommended that the Department develop a plan to deal with both the educational programming and technology replacement issues associated with the expiry of leases within an academic year.

11.135 This recommendation was partially implemented.

New Brunswick Liquor Corporation

Governance

11.136 We believe that promoting accountability is the most important part of our work. We also believe that appropriate accountability processes cannot be established in Crown agencies unless effective governance structures and processes are in place and functioning. We conducted an in-depth review of the governance and accountability structures in place at the New Brunswick Liquor Corporation and reported a total of nineteen recommendations at the conclusion of our work.

11.137 The Board agreed with six of the recommendations and they promised to take the necessary action. However the Board disagreed with

or chose to take no action in response to the majority of our recommendations.

11.138 This year we began the process of reviewing the current status of the recommendations to the Corporation, focusing in particular on those areas where action was promised. However we were informed by the CEO of the Corporation that they would not co-operate with our efforts to prepare an update.

11.139 We were provided with a copy of the resolution from the Corporation's Board of Directors. The resolution read...

... it was RESOLVED that the Board considers the Governance review completed, and that the Corporation Secretary is directed to decline the request for access to Board Minutes and that future reviews of N.B. Liquor records must be conducted in accordance with the relevant section of the New Brunswick Liquor Corporation Act.

11.140 Since we were unable to verify that the promised actions had taken place we are unable to report that any of the recommendations have been adopted as promised or whether any action has been taken to address the other thirteen recommendations.

Department of Health and Wellness

Food safety

11.141 Following our theme of safety we conducted an audit of the systems and practices in place that ensure food service establishments in the Province are complying with food safety standards.

11.142 In total we made thirty-six recommendations to the Department. In general the Department responded positively to the recommendations. However only two have been implemented to date. With six of the recommendations there has been some progress but the remaining 28 have not been addressed.

11.143 The Department informed us that the "Food Program Policy and Guidelines" are under development and are expected to be completed this fall. It was also pointed out that drafting regulations to the Act would take several months but they may be ready for implementation in the fall of 2002. Based on this, we expect to be able to report significant progress next year.

11.144 The following two recommendations have been implemented.

11.145 **The standard licence renewal letter should be amended to include a statement that it is an infraction of the Regulation to operate after 31 March without a valid licence.**

11.146 Six of seven regions are now using an amended letter.

11.147 Stronger efforts should be made to encourage all food service establishments to obtain their annual license by 31 March. The Department should consider implementing a late payment penalty fee for establishments choosing not to pay until after their license has expired on 31 March.

11.148 Virtually all food service establishments achieved this.

11.149 Six recommendations have been partially implemented.

11.150 In an attempt to reduce the risk of the loss of objectivity, the conflict of interest policy should be communicated and monitored. Consideration should be given to ways of reducing the risk of impaired objectivity. We believe that rotating food service establishments amongst the inspectors would be helpful. A quality control/professional review system would be both practical and effective.

11.151 Inspectors have been advised of the policy. Some staff rotation has taken place.

11.152 The inspection function should serve as a means of determining and enforcing compliance with the Act and Regulations relating to food service establishments. Enforcement actions should be used to ensure compliance with the Regulations. The enforcement policy should be updated to reflect the organization's changes - the accountability links and the reporting system. The amended policy should be distributed and monitored.

11.153 The existing directive was brought to the attention of staff and plans are in place for a new policy to be put into place.

11.154 All routine inspections should be unannounced. There should be a valid reason for giving the operator of a food service establishment advance notice of an inspection.

11.155 Routine inspections are now unannounced. Policy clarification is forthcoming.

11.156 Complaints received from the public should be documented upon receipt. They should be investigated within a reasonable period and the results should be documented. The originator of the complaint should be advised within a reasonable period of the findings and the actions taken by the Department.

11.157 Some regions have reported having a complaint-tracking process using an appropriate form.

11.158 We recommended that licensing be used as a means of enforcing the Regulations. The licensing and inspection functions should work together. All new food service establishments should be inspected prior to being issued their first license. Inspection results should be reviewed as part of the annual license renewal process. Revoking a license for not complying with the Regulations should be practiced. To facilitate the integration of the licensing and inspection functions, the Department should consider staggered license expiry dates.

11.159 New food service establishments are inspected prior to licensing and the results of inspections are reviewed prior to licence renewal.

11.160 In the regions, an inspection schedule should be compiled on an annual basis, and updated as needed, to ensure that all food service establishments get inspected. The schedule, and all amendments, should be approved by the Regional Team Manager or Regional Director.

11.161 Some regions have reported having such a schedule.

11.162 All other recommendations remain outstanding.

Chapter 12

Financial Audits in Departments and Crown Agencies

Contents

Background	253
Scope	254
Former Department of Agriculture and Rural Development	255
Department of the Environment and Local Government	261
Department of Finance	262
New Brunswick Distance Education Network Inc.	266
Losses through fraud, default or mistake	270

Financial Audits in Departments and Crown Agencies

Background

12.1 The Legislative Assembly approves the budget that sets out the government's financial plans. The duties imposed on our Office require us to audit the actual financial results and report our findings to the Legislative Assembly.

12.2 Our audit work encompasses financial transactions in all government departments. As well, we audit pension plans and other trust funds, including the Fiscal Stabilization Fund.

12.3 We also audit the Crown Corporations, Boards, Commissions and other Agencies which are listed below. By the date this Report is released we will have issued audited financial statements of all these agencies for the year under review.

12.4 Agencies included in the *Public Accounts*:

- Advisory Council on the Status of Women
- Algonquin Golf Limited
- Algonquin Properties Limited
- Kings Landing Corporation
- Lotteries Commission of New Brunswick
- NB Agriexport Inc.
- New Brunswick Credit Union Deposit Insurance Corporation
- New Brunswick Crop Insurance Commission
- New Brunswick Highway Corporation
- New Brunswick Municipal Finance Corporation
- New Brunswick Research and Productivity Council
- Premier's Council on the Status of Disabled Persons
- Provincial Holdings Ltd.
- Regional Development Corporation
- Regional Development Corporation - Special Operating Agency
- Youth Council of New Brunswick

12.5 Other Agencies:

- Le Centre communautaire Sainte-Anne
- Legal Aid New Brunswick
 - Criminal Legal Aid Fund
 - Domestic Legal Aid Fund
- New Brunswick Public Libraries Foundation

Scope

12.6 To reach an opinion on the financial statements of the Province, we carry out audit work on the major programs and activities in departments. In addition, we audit major revenue items and a sample of expenditures chosen from all departments. We also test controls surrounding centralized systems.

12.7 We take a similar approach to our testing of the Province's pension plans. Our objective in doing this work is to reach an opinion on the financial statements of each plan.

12.8 Because of the limited objectives of this type of audit work, it may not identify matters which might come to light during a more extensive or special examination. However, it often reveals deficiencies or lines of enquiry which we might choose to pursue in our broader-scope audit work.

12.9 It is our practice to report our findings to senior officials of the departments concerned, and to ask for a response. Some of these findings may not be included in this Report, because we do not consider them to be of sufficient importance to bring to the attention of the Legislative Assembly.

12.10 Our work in Crown agencies is usually aimed at enabling us to give an opinion on their financial statements. During the course of this work, we may note errors in accounting records or weaknesses in accounting controls. We bring these matters to the attention of the agency, together with any recommendations for improvement.

12.11 This chapter of our Report summarizes issues related to departments and Crown agencies which we consider to be significant to the members of the Legislative Assembly.

12.12 Our examination of the matters included in this chapter of our Report was performed in accordance with Canadian generally accepted auditing standards, including such tests and other procedures as we considered necessary in the circumstances. The matters reported should not be used as a basis for drawing conclusions as to compliance or non-compliance with respect to matters not reported.

Former Department of Agriculture and Rural Development

Audit of Internal Controls

12.13 The former Department of Agriculture and Rural Development (now part of the Department of Agriculture, Fisheries and Aquaculture) provided various services to the agri-food industry via a number of different programs. Many of these programs generated revenue for the Department through user fees, product sales or fee-for-service arrangements. The largest of these programs, in terms of revenue generated, was Veterinary Services. Other significant revenue generators include Seed Potato Sales, Dairy Laboratory, Strawberry Nursery, and Crown Land Leases programs. Together, these programs annually generate approximately \$5.4 million in revenues and, as at 31 March 2000, had receivables and inventory of \$1.35 million and \$0.7 million respectively.

12.14 The Department provided the services from a number of regional offices throughout the Province. Sales were made and money was collected by various staff members in each region. The large number of staff members handling payment receipts and the decentralized structure placed increased importance on strong internal controls.

12.15 The objective of our audit was *“To ensure that adequate controls were in place over cash handling and inventories for veterinary services, and over all departmental accounts receivable.”*

Cash handling in veterinary services

Adequacy of policies

12.16 A key step to ensuring effective and efficient internal controls is to adequately develop and document specific policies and procedures that will be incorporated into the operations and financial systems. These policies should consider the need to safeguard assets, ensure the accuracy of accounting information and operate in an efficient manner.

12.17 Actual policies and procedures used by the Department varied considerably from region to region. For example, in one region, veterinarians remitted the receipts from their service calls daily to the regional office and the regional office sent a cheque to head office three times per week. In other regions, the veterinarians and regional office remitted their receipts every two weeks.

Recommendation

12.18 **The Department should establish specific cash handling policies to address the unique issues that the Department faces with a decentralized collection system. Policies should be consistent from region to region.**

Departmental response

12.19 *With the implementation of the Oracle Accounts Receivable Program and the subsequent increase in the number of users, a Cash Handling Policy that is consistent across the Department is being developed. The Manager of Financial Services has met with various users and has consulted with the Registrar of Aquaculture and will continue to meet with those involved to ensure all issues will be addressed and the Cash Handling Policy will adequately reflect the requirements of all users.*

The target date for the completion of a new Cash Handling Policy is September 2001.

Ensuring controls adequately safeguard cash

12.20 Due to the susceptibility of cash to theft, departments must make every effort to ensure that adequate controls are in place to safeguard cash receipts.

12.21 With the exception of the Veterinary Services program, the cash in most programs is handled entirely by the program manager or an administrative assistant. In the Veterinary Services program, the veterinarians make cash and credit sales while at the farms. Administrative assistants also make cash and credit sales at the regional offices. Sub-offices throughout the Province make cash sales only. The involvement of numerous veterinarians and administrative assistants in receiving payments, at the central, regional and sub-offices, makes the control environment considerably more complex and more likely to have errors than would be the case for a department with a centralized collection system. Ideally, the Department should keep the function of cash handling completely separate from staff responsible for billing and maintenance of the accounting records. The limited number of staff at each of the regional offices makes this level of segregation impossible. These factors place increased reliance on a limited number of effective control procedures.

12.22 One key control is the use of sequentially pre-numbered slips for invoicing and issuing receipts. In order for this to be an effective control, the Department must be able to ensure that all the pre-numbered slips are accounted for. Two of the three regions we visited recognized the importance of this control and had an informal policy whereby they would manually review the completeness of their slips. Due to the limited number of staff and information available at the regional level, this manual review is not effective.

12.23 As part of our audit procedures, we tested the completeness of the invoices entered into the accounting system by verifying that all numbers were posted. No errors were found and all invoices were accounted for.

12.24 Another key control is proper approval of all possible adjustments to invoices that have been previously entered into the accounting system. If cash was misappropriated after it entered the accounting system, credit notes or write-offs to adjust the original invoice could be employed to cover up the missing funds. This would not necessarily be picked up by the existing controls. Strong controls over credit notes and write-offs would help to ensure that misappropriated cash would be discovered when the bank account is reconciled.

12.25 Occasionally, the regional offices accept payments on behalf of other departments for permits and licenses, such as the Fuel Tax Exemption cards issued by the Department of Finance and the Pesticide

License application fee administered by the Department of the Environment and Local Government. We found that the policies governing these payments vary considerably between regions. While all regions would accept a personal cheque payable to the Minister of Finance, one region would also accept a money order, and another region would also accept cash or money order. Both of these regions forward the payment to the appropriate department in the form received. No information is recorded in the accounting system as no interdepartmental accounts are set up. Forwarding cash in the mail between departments and not recording the payment receipt in the accounting system when initially received is not in accordance with guidelines set out in the provincial *Administration Manual*.

Recommendations

12.26 An employee who does not have accounting or cash handling responsibilities should be formally assigned responsibility for reviewing and approving the credit note reports and all write-offs. Someone independent of the cash handling function should enter the write-offs into the accounting system.

12.27 A system should be established whereby interdepartmental accounts are set up. This will allow the regional offices to record the receipt of payments for other departments in the accounting system and to deposit the money in the Department's bank account. Cash receipts should not be forwarded in the mail. The Department should update their documented policies to specifically address the handling of interdepartmental transactions.

Departmental response

12.28 *The Department will develop a report by September 30, 2001 to analyse all credit activity in the Oracle Accounts Receivable Program. The Manager of Financial Services will review this report on a monthly basis. Any write-offs will be entered into the system by the Accounts Receivable clerk at headquarters and will be reviewed by the Manager of Financial Services.*

12.29 *Money that is collected on our behalf by other departments should be entered into their system and transferred to our account by journal entry. Money we collect on behalf of other Departments will be handled in a similar fashion through journal entry. This would solve the problem of cash being transferred by inter-office mail.*

Veterinary Inventory

Adequacy of policies

12.30 The Department had a documented internal policy for inventory management in place. However, only one of the three regions we visited was aware of this policy. The other two regions referred to the Province's *Administration Manual*, which sets the minimum standards for inventory.

12.31 The inventory policy covered a number of issues specific to the Department. However, we found that the inventory management policy did not adequately cover the following areas:

- which staff members should have access to what types of inventory;

- approval process for removing damaged inventory from the inventory accounts;
- approval process for write-offs of outdated inventory; and
- follow-up procedures for expired product not returned for credit.

Recommendations

12.32 Clear inventory policies should be developed covering access, write-offs and damaged products. Specifically, regional veterinary supervisors should be required to approve all adjustments to inventory including damaged goods, count variances and expired product not returned for credit.

12.33 All regions should be made aware of the Department's documented policy.

Departmental response

12.34 *The current Pharmaceutical Dispensing Policy, Inventory Guidelines and Inventory Protocol will be expanded where necessary to address your recommendations. For example a signature line will be added to the current credit form for the Regional Veterinary Supervisor's signature ensuring they approve all write-offs. In addition the guidelines will detail the current policy that only veterinary staff have access to veterinary pharmaceutical inventory. These additions to the policy will be accomplished by September 30, 2001.*

12.35 *The newly expanded policy will be reviewed with all veterinary staff to ensure they are fully aware of the policy additions, and to ensure the policy is fully complied with.*

Ensuring controls adequately safeguard veterinary inventory

12.36 The Department maintained veterinary inventory in each of the regional offices. The regional offices are supplied from a central inventory stores at head office, which results in frequent movement of inventory between locations. As a result, strong internal controls are required to safeguard the inventory at each location.

12.37 We examined in detail the physical controls at three regional offices and at the central inventory stores. At each location, the inventory was properly stored and locked. Controlled drugs were appropriately segregated and locked in accordance with the federal *Controlled Drugs and Substances Act*.

12.38 Year-end count procedures and reconciliations were discussed with the staff at each location. Although procedures vary from region to region, we believe the procedures are adequate given the differing levels of inventory.

12.39 One significant weakness is the approval of inventory write-offs for damaged or expired product. Staff at central inventory stores currently approve regional inventory write-offs based on a telephone conversation with the regional staff. The control would be more effective if the regional

veterinary supervisors were required to approve all inventory write-offs for their region as they can better assess the validity of the request.

Recommendation

12.40 Regional veterinary supervisors should be assigned formal responsibility for reviewing and approving all inventory write-offs.

Departmental response

12.41 *Currently only the damaged products are reported by telephone or email. A standard reporting form will be developed for damaged products by September 30, 2001. The Regional Veterinary Supervisor will assume the responsibility for approving write-offs as a result of damage. A signature line will be added to the current expired drug credit form for the Regional Veterinary Supervisor's signature ensuring they approve all write-offs prior to drugs being returned to the central stockroom.*

Accounts Receivable

Adequacy of pricing policy

12.42 As part of our procedures, we reviewed the Department's pricing policies. The Department completed revisions to the pricing policy in late 1999, and was waiting for approval by the Board of Management before implementing the new rates. We found that both the proposed and existing pricing rates used by Department staff were very detailed, and should provide sufficient information to allow accurate billings in each program.

12.43 We did note that the underlying pricing policies that determined the rates to be charged were not clear. Through discussions with Department staff, it became obvious to us that the pricing policies were based on a number of factors, rather than just on a percentage of direct cost recovery. For example, some of the food testing rates were heavily subsidized by the Department to encourage producers to have more of the goods tested. This is done for both the safety of the public who consume these products, and for the long-term future of the industry, which relies heavily on its reputation for quality to develop export markets. Prices for other services were based on factors including: recovery of the full cost of the service including the direct costs and indirect costs such as overhead and administrative time; comparison to rates charged in other provinces; or the industry's ability to pay.

12.44 While consideration of all these factors is important in developing a pricing policy, we feel that the rationale for the actual rates is also very important. If certain types of services or programs are heavily subsidized while others are operated on a full cost recovery basis, we feel that the Department should make that fact known to the public, as well as the amount of the subsidization and why the subsidization is justified. This type of information is not currently available in reports published by the Department.

Recommendation

12.45 The Department should provide better information to the public on the pricing policies, costs, recoveries and benefits of each type of service or program for which a fee is charged. The costs should include both direct costs such as salaries and materials and

indirect costs such as overhead and other administrative costs associated with the delivery of the program.

Departmental response

12.46 *It is the Department's goal to work towards a higher level of cost recovery for the services such as veterinary and agricultural laboratory services as well as agricultural product production such as potato plantlets and seed potatoes. The Department will endeavour through its annual report to provide more detailed pricing policies and financial cost/benefit information to the agricultural community and the public as recommended.*

Ensuring controls adequately safeguard receivables

12.47 Considerable guidance is provided in the provincial Administration Manual on the required elements of an effective receivable control environment. We reviewed the numerous guidelines and found that the Department was generally in compliance.

12.48 However, there was a significant weakness in the inability to ensure that all veterinary services provided are fully invoiced. There was no effective control in place to ensure that all time spent by a veterinarian at a client is billed. The Department relied entirely on the veterinarians to bill the correct amount of time. One possible control is to require each veterinarian to detail their time spent during the day (chargeable time, travel time, educational time, etc.) in the timekeeping system. The timekeeping records could then be compared to the revenue system to ensure that each veterinarian is charging their time. Program managers could then review timekeeping records to ensure that the appropriate amount of time was charged. This approach would have the added benefit of showing the amount of time being spent on educational and other non-chargeable activities, which would be useful to management for decision-making purposes. An alternative control would be to implement an incentive system that encourages veterinarians to charge the full amount of their time.

Recommendation

12.49 The Department should implement new controls to ensure that all chargeable time is invoiced.

Departmental response

12.50 *The issue of invoicing for all chargeable time was addressed in conjunction with the introduction of new veterinary fees on January 1, 2001. As per the new fee regulations all services are to be charged for with the only exceptions being the following three circumstances. No fees are to be charged for inspections under the Provincial Meat Inspection Program in support of provincial public health, investigations of large animal welfare cases in support of The Society for the Prevention of Cruelty to Animals and finally cases related to Provincially and/or Federally Reportable Diseases, i.e. ILT in poultry, rabies, etc.*

Department of the Environment and Local Government

Purchasing of goods

12.51 As part of our audit of the financial statements of the Province for the year ended 31 March 2001, our Office reviewed the process used to establish the Local Service District (LSD) unconditional grant and tax warrant figures. We also reviewed the procedures and systems used to record LSD expenditures.

12.52 To the extent practical the ordering of goods, the receiving of goods and the authorization for the payment of goods should be performed by separate individuals. In the sample Municipal Service Representative (MSR) office selected, we were told of cases where the MSR has performed all of these functions. A lack of separation between these duties increases the possibility of errors, theft and fraud. Departmental staff told us that it is not feasible to have stronger controls over the purchasing functions due to the limited number of staff. We feel this can be overcome in most cases by having written documentation from the individuals (e.g. Fire Chief) in the LSD who are making the purchase request.

Recommendation

12.53 **MSRs should require individuals in LSDs to request purchases in writing.**

Departmental response

12.54 *We agree that segregation of duties is an important aspect of internal controls over expenditures and, as such, will direct our Municipal Service Representatives to ensure, wherever possible, that purchase requests be documented.*

Reconciliations

12.55 MSR offices keep a ledger of expenses for each LSD region. This ledger is to be reconciled to the Province's financial accounting system (TFIS) monthly to ensure the completeness of expenditures. At present it is the responsibility of the individual MSR offices to ensure that reconciliations are performed timely and accurately. Head Office does not ensure this is being done.

12.56 In the sample MSR office chosen, we noted that proper procedures were not being used to reconcile these two systems. The MSR admitted that the method of reconciliation used increases the risk of interdepartmental journal entries not being recorded in the ledger. Failure to record an interdepartmental entry in the MSR office ledger misstates the year-end surplus/deficit figure for the LSD. The accuracy of the surplus/deficit figure is essential as it is used to establish the unconditional grant figure and property tax rate for the LSD region.

Recommendations

12.57 **To ensure the completeness of LSD expenditures, Municipal Service Representatives should monitor on-going costs from other departments to help ensure that all expenses have been recorded. The MSRs should remind departments if entries need to be made to transfer costs to the LSDs.**

12.58 The Department's Head Office should instruct MSRs how to properly prepare monthly reconciliations. The MSR should reconcile, for each LSD, the total amount of expenditures recorded in the TFIS system with the total amount recorded in the MSR ledger. Any reconciling items should be listed and investigated.

Departmental response

12.59 We agree that reconciliation to TFIS ensures the accuracy and completeness of expenditure and revenue records. To this effect, we will be developing instructions to facilitate reconciliation of individual systems currently used by the Municipal Service Representatives with TFIS.

Department of Finance
Review of Oracle Accounts
Receivable System

12.60 In April 1999, the Department of Finance implemented a new accounts receivable system-Oracle Accounts Receivable (Oracle AR). This system was implemented to replace the old consumption tax system, which was not Year 2000 compliant. After researching different system options, and based on information provided by the Office of the Comptroller, the Department decided to implement Oracle AR. Because of the delay in deciding and approving a new system, the timeframe for the implementation of Oracle AR was relatively short – approximately three months.

12.61 Our Office decided to review the Oracle AR system for two reasons. First, our Office has a long range plan to review all key computer systems in the Province. Our review of these key systems is used to support our audit opinion on the provincial financial statements. We identified Oracle AR as a key system because of the dollars processed by the system - \$281 million. Second, because Oracle AR is a relatively new system, we believed our review could assist the Department in identifying areas where improvements could be made.

12.62 Our review was conducted in two parts. The purpose of the first part was to document the Oracle AR system. From this documentation, we identified key application controls and performed tests to ensure the controls were operating as described. The second part of the assignment was to review the computer environment in which Oracle AR operates.

Overall conclusion

12.63 The Oracle AR system was successfully implemented in a relatively short time frame and has now been in operation for over two years. Because of the quick implementation of the system, a number of the system processes and procedures seem to have evolved over the period of operation. We believe that it would be beneficial to the Department to review these processes and procedures to ensure they are appropriate and the most efficient way in which to operate the system.

12.64 During the course of our audit, we identified the following areas that could be improved. We believe the Department should review:

- the accounting reconciliations between the Oracle AR system and the Provincial general ledger accounts;

- the system responsibilities given to existing users with the aim of determining if the responsibilities are appropriate and eliminating those that conflict;
- the process for determining and approving system access;
- the need for a user access policy; and
- the need for system training of key system personnel.

Review of application controls

Improvements needed in the reconciliation of Oracle accounts receivable to Oracle general ledger

12.65 One of the key controls we identified during our system review was the reconciliation of the Oracle AR sub-ledger to the Oracle General Ledger (Oracle GL). This reconciliation is important because it ensures that the general ledger is properly updated and that it accurately reflects the balances of the underlying accounts. Performing this reconciliation on a timely basis is especially important as Oracle AR is a fairly new system, increasing the likelihood of errors occurring in the update process. From our discussions with the Office of the Comptroller and departmental staff we learned that this reconciliation should be performed on a quarterly basis.

12.66 At the time of our audit, not all of these reconciliations had been prepared. We also noticed that the reconciliations that were prepared were confusing and in some cases incorrect. For example, the first reconciliation we reviewed simply summarized the entries processed through the general ledger as opposed to reconciling the two systems.

Recommendation

12.67 We recommended the Department review and simplify the format for the reconciliation of the Oracle AR to the Oracle GL. This reconciliation should be documented and performed quarterly. It should be periodically reviewed to ensure its accuracy and timeliness.

Departmental response

12.68 The Department agrees with this recommendation and steps will be taken to improve on the reporting process and to achieve the proper internal controls.

Review of computer environment controls

Responsibilities assigned to users should be reviewed

12.69 During our audit, we reviewed users' responsibilities to determine if any were incompatible. We discovered two users who appeared to have incompatible responsibilities.

12.70 During our review of user responsibilities, we also discovered that there were eleven users with complete system access. These individuals have the ability to enter transactions, receipts, adjustments etc. into the system without the involvement of another user. We were informed that all managers need this level of access. However, only three of these eleven users were managers. While this number of users with complete system access may be necessary, we believe the Department should review this list and ensure that this level of access is appropriate in all circumstances.

Recommendations

12.71 We recommended the Department review the current responsibilities assigned to its users to ensure they allow an

appropriate level of access and that the responsibilities are not incompatible.

12.72 The Department should review the eleven users who have been assigned complete system access to ensure that this level of access is appropriate in all circumstances.

Departmental response

12.73 *Subsequent to the audit, the system manager has developed a list of the security levels, the staff within each, and any potential conflicting roles have been identified.*

12.74 *The Department will review the eleven users who have been assigned complete system access to ensure that level of access is still a requirement.*

Improvements needed in process for granting, changing and deleting system access

12.75 From our review of the Department's *Oracle Financials User Manual* and through discussions with departmental staff, we were pleased to note that the Department has a documented process for granting system access. This process involves having a user complete a "System Access to Oracle Financials Accounts Receivable Form" which is signed and approved by the user's manager and either the director or the system manager.

12.76 As part of our systems review, we selected a sample of ten users to ensure that the proper procedures were followed for granting access to these users. In our sample, eight of the ten users did not have an original access request form on file. Also, the two request forms that were on file were not authorized by appropriate departmental staff.

12.77 During our review, we noticed that the "System Access to Oracle Financials Accounts Receivable Form" is also used for changing a user's system access. When used for this purpose, the form is very confusing as it becomes difficult to determine if responsibilities are being added or deleted. This confusion could cause the system administrator to inadvertently assign incompatible responsibilities to a user.

12.78 From our discussions with departmental staff, we also discovered that there is no formalized process for deleting a user's system access.

Recommendation

12.79 We recommended the Department ensure all requests for user access follow the documented procedures established by the Department. The Department should also review and modify the "System Access to Oracle Financials Accounts Receivable Form" and make it easier to complete for changes in a user's access. The Department should also establish and document procedures for terminating a user's system access.

Departmental response

12.80 *The Department agrees to ensure all requests for user access follow documented procedures. The current Request for Access Form*

allows for adding and changing users, but not removing a user's access. The form will be modified to allow for the removal (termination) of a user. The Division will work with the Department's Information Management and Technology Branch to implement a termination process that is timely.

User access policy for Oracle AR system is needed

12.81 From our review, we noticed that the Department does not have a user access policy for the Oracle AR system. A user access policy provides guidance on:

- the process to be followed when granting system access to new users, changing an existing user's level of access and terminating a user's system access;
- the procedures to follow when requesting the creation of a new system responsibility;
- the purpose of each responsibility and an indication of those which are incompatible; and
- the criteria to be considered when determining a user's level of system access – for example, what responsibilities should be assigned to employees in various levels/divisions within the Department.

12.82 The policy should also indicate the role of the Department of Finance and the role of the Office of the Comptroller in the creation, assignment and deletion of responsibilities and users.

Recommendation

12.83 We recommended the Department develop a user access policy for the Oracle AR system.

Departmental response

12.84 *Although the Department had a document in place on how to obtain access to the system and the approval process, we concur that the document should be expanded to include the additional items identified.*

Additional Oracle training needed

12.85 From discussions with staff and based on observations during our review, we believe many departmental staff would benefit from additional training in the use of Oracle. We recognize that the Department has provided some training to the users. However, we believe there is a need for more training at this time. From our observations, two types of training are needed – general training for staff and management and more detailed and technical training for the system manager.

12.86 We noticed three main areas where training for management and staff could be focused.

1. System functionality. There are functions available in the system of which many users are unaware; there may be an opportunity to improve efficiency in operations.
2. Possible system customizations. Now that staff have been using the system for a period of time, they would be able to identify areas where system customizations would be beneficial. A training

session with a consultant would provide an opportunity for staff to determine if there are ways of simplifying procedures and in turn increasing efficiency. During our review, some staff mentioned areas where additional system customizations would be useful.

3. Clarifying the difference between Oracle AR and Oracle GL and how the two modules inter-relate. While this topic seems very basic, it is necessary in order to obtain an overall understanding of how the systems work.

Recommendation

12.87 We recommended the Department provide additional training to its management and staff on the use of Oracle AR. We also recommended the system manager receive more detailed and advanced training on the use of this software.

Departmental response

12.88 *Prior to this audit the Department had met with the Office of the Comptroller and identified the need to update its User Manual and to provide for further training for staff. Discussions centred around the best approach for training. The Department is committed to providing further training for its staff, including advanced training for the System Manager. Management will follow-up with the Office of the Comptroller to formalize our training plan.*

New Brunswick Distance Education Network Inc.

12.89 New Brunswick Distance Education Network Inc. (NBDEN Inc.) was incorporated in 1994 under the *Companies Act* as a not-for-profit entity. Since inception, NBDEN Inc. has had expenditures of approximately \$4,288,000. Of this amount, approximately \$1,372,000 relates to TeleEducation projects and \$2,916,000 relates to Community Access initiatives. The TeleEducation projects relate to the Department's TeleEducation NB program which has as its mandate to provide "access to education to the citizens of New Brunswick by promoting distance education and to provide support to educators, course developers and learners at all levels . . .". The Community Access initiatives are aimed at creating sustainable community access centres in rural New Brunswick.

12.90 Our work focused primarily on the relationship of NBDEN Inc. and its TeleEducation expenditures, and the Department of Education's TeleEducation NB program. We performed minimal work on the Community Access component of NBDEN Inc. which relates to the Department's Connect NB program. The goal of our audit work was to expand our understanding of both the TeleEducation program and NBDEN Inc. with the objective of determining if NBDEN Inc. should be part of the government reporting entity.

Should NBDEN Inc. be considered part of the government reporting entity?

12.91 The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants sets accounting guidelines for governments in Canada. Public Sector Accounting Recommendation PS 1300.07 states, "The government reporting entity should comprise the organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to

the legislature, or local government council, and are owned or controlled by the government.”

12.92 Our findings indicate that NBDEN Inc. is accountable to and controlled by the Minister of Education through the Department of Education’s TeleEducation program. The principal reason for our conclusion on control and accountability relates to the fact that the directors and members of NBDEN Inc. are limited to senior civil servants. These senior civil servants act under the directives of, and are accountable to, government Ministers. Although the board has the right to appoint new directors, the limitation that directors must be senior civil servants gives the government control.

12.93 Due to the limited size of NBDEN Inc. in relation to the overall provincial reporting entity, we believe that NBDEN Inc. should be included in the Province’s financial statements and listed in Note 1.

12.94 As a result of our conclusion that NBDEN Inc. should be part of the government reporting entity, we focused on what impact this will have in terms of its reporting and operating requirements.

Accountability

12.95 Throughout our audit, important questions of “who is accountable to whom, when and for what?” were raised. Many of the questions were the result of a lack of formal division in the operations of NBDEN Inc. and the Department’s TeleEducation program. As we understand it, NBDEN Inc. was established primarily to get access to federal funding, that is not otherwise available to the Province, to further the goals of the Department’s TeleEducation program. While NBDEN Inc. is a separate legal entity and maintains its own bank account, it does not have its own documented goals, objectives or performance measures. Furthermore, it does not have its own staff members as it relies on staff from the TeleEducation program for its administration. NBDEN Inc. currently does not report publicly on its operations.

12.96 Given the close interrelationship of the TeleEducation program and NBDEN Inc., especially the common management, it is easy to see how one could look at NBDEN Inc. as a component of the TeleEducation NB program. However, it is our opinion that if the government feels that a separate incorporated entity is necessary and justified to do work that can’t otherwise be done within the existing departmental programs, then that entity has a distinct purpose separate from the Department’s program. As a result, we believe that NBDEN Inc. should be considered a separate entity from the TeleEducation NB program and evaluated on that basis.

Is NBDEN Inc. publicly accountable?

12.97 Preparing annual reports and appearing before Legislative committees, such as the Crown Corporations Committee, are the primary ways that government enterprises are held accountable to the citizens of New Brunswick. NBDEN Inc. does not issue its own annual report nor does it report before any Legislative committee.

12.98 We noted that the Department's annual report adequately discusses the mandate, objectives, and results of the TeleEducation NB program. However, the Department's annual report does not mention NBDEN Inc., what it is, or how it helped the TeleEducation NB program to achieve its mandate. Also, the Department's annual report does not include NBDEN Inc.'s total expenditures (only the money it paid to NBDEN Inc.) or receipts that contribute towards meeting the goals and objectives of the TeleEducation program.

12.99 As a result, we feel that sufficient information is not being made available to the Legislative Assembly to hold NBDEN Inc. publicly accountable. We feel that NBDEN Inc. should be reporting publicly in a manner similar to other Crown agencies, thus it should be complying with the government's annual report policy.

Recommendation

12.100 We recommended that NBDEN Inc. prepare an annual report in accordance with the government's annual report policy.

Departmental response

12.101 *NBDEN Inc. will be included in the Department's annual report. The limited size of this entity does not warrant reporting to the Legislative Assembly in a manner similar to other Crown agencies.*

Quality of financial information available

12.102 In terms of financial information for the TeleEducation component of NBDEN Inc., we were provided a spreadsheet showing all expenditures and receipts since it was incorporated. While this certainly allowed one to determine the gross dollars received and spent, and the amount remaining in the bank account, we feel it does not provide adequate information to allow the Board of Directors or the Department to effectively hold NBDEN Inc. financially or operationally accountable.

12.103 The following are some of the questions that we had hoped to get answered from the financial information. How much money was spent on capital equipment purchases? How much on travel? How much on office and administrative costs? How much money was received from the federal government? How much from ACOA? These are important questions from a management perspective and we believe that the Department should be asking these types of questions to adequately hold NBDEN Inc. accountable for its operations. This type of financial information would be readily available if financial statements were prepared annually.

Recommendation

12.104 We recommended that financial statements be prepared annually.

12.105 In the past, a representative from the Department's finance group has performed an internal review of the TeleEducation expenditures at NBDEN Inc. This person would be reviewing payments made by, and sometimes to, his colleagues. In this case, he would not be perceived as independent enough to impartially review NBDEN Inc.'s expenditures. Having the annual financial statements of NBDEN Inc. audited by an

independent auditor would greatly improve the reliability of financial information being released.

Recommendation

12.106 It is our understanding that the Department has appointed an independent accounting firm to perform an audit of NBDEN Inc. for the entire period of its existence. **We recommended that the Department ensure that the independent audit is completed and the results of the audit made public.**

Departmental response

12.107 *An external auditor was hired in April 2001 to perform an audit of NBDEN Inc. for the entire period of its existence. In future, a financial audit will be performed each year.*

Compliance with government policies

12.108 Given that NBDEN Inc. is a government entity and was set up primarily to get access to additional federal funding, we feel that it should be complying with all government policies. There were two policies in particular that we noted NBDEN Inc. was not complying with. The first was the government policy relating to safeguarding moveable assets. The second was the government's purchasing policy.

Policy to safeguard moveable assets

12.109 The lack of financial information made it difficult for us to determine exactly what types of assets are owned or controlled by NBDEN Inc. or how much these assets might be worth. Since 1994, tens of thousands of dollars have been spent on hardware and software development, but we were unable to get a listing of assets owned by NBDEN Inc.

Recommendation

12.110 Government policies provide specific guidance on record keeping, physical safeguards and reconciling procedures for moveable capital assets. The goal of these policies is to ensure that assets owned or controlled by government are properly managed and safeguarded. **We recommended that NBDEN Inc. follow the government guidelines to ensure proper management and safeguarding of moveable assets.**

Departmental response

12.111 *An inventory of assets owned by NBDEN Inc. will be prepared and maintained following the guidelines.*

Purchasing policy

12.112 We were informed that while NBDEN Inc. is not required to follow the Province's *Public Purchasing Act* and other government tendering guidelines, they generally abide by them. Staff told us that exceptions are made when they require additional flexibility in contracting and when time constraints are a factor. We feel that there are adequate provisions in the *Public Purchasing Act* to address situations that require timely action or additional flexibility. Given that the government controls NBDEN Inc., we feel that NBDEN Inc. should be following the *Public Purchasing Act*. **We recommended that NBDEN Inc. implement a policy requiring it to follow the guidelines of the *Public Purchasing Act* and its regulations.** If the policy is not followed specific reasons should be documented and approved by the Board of Directors.

Recommendation

Departmental response

12.113 *We have discussed compliance with the Public Purchasing Act with some members of the Board of Directors. They have agreed to formalize the current process. A formal policy will be adopted by the Board whereby NBDEN Inc will follow the Public Purchasing Act and its regulations. Situations where the policy is not followed will require the documenting of specific reasons which then must be approved by the Board of Directors.*

Limitation of our audit procedures

12.114 As stated earlier, the Department has engaged an independent auditor to review the financial statements of NBDEN Inc. As well, we understand that the Office of the Comptroller is undertaking an audit of various NBDEN Inc. expenditures and contracts. As a result, we have not specifically reviewed expenditures or contracts undertaken by NBDEN Inc. Our work focused on the policies, procedures, financial reports, etc. that were provided to us by management. We did not specifically attempt to verify the accuracy of the financial information or test the financial controls in place. We intend to review the results of the other audits before making a decision on performing work in these areas.

Losses through fraud, default or mistake

12.115 Section 13(2) of the *Auditor General Act* requires us to report to the Legislative Assembly any case where there has been a significant deficiency or loss through fraud, default or mistake of any person.

12.116 During the course of our work we became aware of the following significant losses. Our work is not intended to identify all instances where losses may have occurred, so it would be inappropriate to conclude that all losses have been identified.

Department of Education

Missing equipment and supplies in various school districts	\$28,051
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Department of the Environment and Local Government

Missing equipment	\$3,318
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Department of Family and Community Services

Cheques cashed by persons not eligible to receive the funds	\$45,352
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Department of Health and Wellness

Loss of equipment and cash and ineligible Medicare service claims	\$9,213
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Irregularities in the financial records of Region 7
Hospital Corporation (under investigation; amount still to be determined)

Department of Training and Employment Development

Missing equipment and supplies in various community colleges	\$76,100
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Department of Transportation

Loss of equipment	\$20,340
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12.117 Losses reported by our Office only include incidents where there is no evidence of break and enter, fire, or vandalism.

12.118 The Province reports in Volume 2 of the *Public Accounts* the amount of lost tangible public assets (other than inventory shortages).

12.119 In 2001, the Province reported lost tangible public assets in the amount of \$194,802 compared to a loss of \$218,888 reported in 2000.

Chapter 13

Crown Agencies Audited by Others

Contents

Background	275
Scope	275
New Brunswick Power Corporation	275
Workplace Health, Safety and Compensation Commission of New Brunswick.....	277
Regional hospital corporations.....	277

Crown Agencies Audited by Others

Background

13.1 We do not audit the financial statements of all the Crown Corporations, Boards, Commissions and other Agencies included as part of the provincial reporting entity. Following is a list of the agencies audited by other auditors.

13.2 Agencies included in the Public Accounts:

- Board of Commissioners of Public Utilities
- Forest Protection Limited
- Kingsbrae Horticultural Garden Inc.
- New Brunswick Investment Management Corporation
- New Brunswick Liquor Corporation
- New Brunswick Museum
- New Brunswick Power Corporation
- Service New Brunswick
- Strait Crossing Finance Inc.
- Workplace Health, Safety and Compensation Commission of New Brunswick
- The eight regional hospital corporations

13.3 Other Agencies:

- Atlantic Lottery Corporation Inc.

Scope

13.4 We review the financial statements and other documents as they are received. We also visit the auditors periodically to review their working papers. We do this to determine whether we can continue to rely on their work in carrying out our audit of the financial statements of the Province.

New Brunswick Power Corporation

13.5 During the year, we reviewed the working papers of the auditors of New Brunswick Power Corporation. We were satisfied with the work done by the auditors of the Corporation for the year ended 31 March 2001.

13.6 The auditors issued a management letter to the Corporation at the conclusion of their audit. Their letter addressed a number of unresolved matters arising from prior years' letters, as well as issues arising from the 2001 audit.

13.7 One of the unresolved issues from prior years was a recommendation that management undertake a review of certain existing liabilities. The liabilities relate to the costs of disposing of irradiated nuclear fuel and decommissioning Point Lepreau Generating Station. The costs were previously being accumulated on the basis of the Point Lepreau Generating Station operating until 2014, but this date was changed to 2008.

13.8 Management had indicated that cost studies in these two areas would be updated in 1999. These were not completed as anticipated. In 2001 the Corporation decided not to make any changes to its accounting for these future costs until a decision is made concerning the refurbishment of the Point Lepreau Generating Station.

13.9 The Corporation added the following note to its 2001 financial statements in order to explain the current situation:

As indicated in note 1(i), the Corporation annually charges income with amounts calculated to be adequate, when accumulated with interest, to cover the total costs of permanently disposing of irradiated nuclear fuel and for decommissioning the nuclear generating station to return the site to a state of unrestricted use. Because of the various assumptions and estimates inherent in the calculations, the Corporation periodically reviews these estimates and adjusts them on a prospective basis if necessary.

During the year the Corporation completed reviews of its estimates for the costs of permanently disposing of irradiated nuclear fuel and decommissioning the nuclear generating station. The reviews considered the impacts on the estimates of changes in costs, interest rates and inflation rates.

The annual charges for irradiated nuclear fuel disposal and decommissioning costs are further impacted by the timing of the end of the generating station service life and the consequent timing of decommissioning. The current year reviews did not consider any changes in these factors beyond the last reviews completed in 1996.

The reviews done in 1996 reflected a generating station service life of 2014. However, in the year ended March 31, 1999, the service life of the Point Lepreau generating station, for amortization purposes, was changed to 2008.

Currently the Corporation is investigating the feasibility of refurbishing the nuclear generating station to extend its service life beyond 2008. In early 2002, the Corporation's Board of Directors will make a decision on whether or not to refurbish the station which will impact the estimates for irradiated fuel

management and decommissioning costs, and amortization. If a decision is made to refurbish the nuclear generating station and extend its service life, the annual charges for irradiated fuel management and decommissioning will increase from their current level by \$3 million and the annual charge for amortization will decrease by \$23 million. If a decision is made not to refurbish the plant, the annual charges for irradiated fuel management and decommissioning will increase by \$13 million and the annual charge for amortization will remain unchanged from current levels.

In view of the uncertainty relating to the decision on refurbishment that will determine the estimated service life for the nuclear generating station, the Corporation's financial statements continue to reflect the 1996 reviews for purposes of calculating the annual charge for irradiated fuel management and decommissioning. Accordingly, when the refurbishment decision is made in 2002, it is reasonably possible that the annual charges to income for irradiated fuel management and decommissioning of the nuclear generating station and its amortization will differ, and could differ materially, from the estimated amounts provided in these financial statements.

Workplace Health, Safety and Compensation Commission of New Brunswick

13.10 During the year, we reviewed the working papers of the auditors of the Workplace Health, Safety and Compensation Commission of New Brunswick. We were satisfied with the work done by the auditors of the Commission for the year ended 31 December 2000.

13.11 The auditors issued a management letter to the Commission at the conclusion of their audit. Many of the auditors' observations related to computer controls, reflecting the extent of computer information processing in the organization. They dealt with user IDs, audit logs and password policies. Management of the Commission agreed with the recommendations and noted the actions that have been taken or will be taken to address the issues raised.

Regional hospital corporations

13.12 Auditors of four of the eight regional hospital corporations provided our Office with management letters issued following the completion of their audits of the financial statements for the year ended 31 March 2001. Two auditors indicated that no issues arose warranting such letters. In general, auditors continue to report good co-operation from the hospital corporations in implementing recommended changes.

Chapter 14

Office of the Auditor General

Contents

Background	281
Office role and relevance	281
Performance indicators	282
Financial information	285
Staff resources	286

Office of the Auditor General

Background

14.1 In recent years, our Reports have contained a checklist relating to our assessment of our compliance with the Annual Report Policy of government. A comparative version for 2001 is presented below.

14.2 It is our intention to continually improve the information available in our annual Report on the performance of our Office.

Exhibit 14.1
Self assessment checklist

	2001	2000
Was a report prepared?	Yes	Yes
Is there a discussion of program relevance?	Yes	Yes
Are goals and objectives stated?	Yes	Yes
Does the report discuss achievement of plans?	Yes	Yes
Are performance indicators presented?	Yes	Yes
Are details available on level of client acceptance ?	Yes	Yes
Is actual and budget financial information presented?	Yes	Yes
Does the report explain variances from budget?	Yes	Yes

Office role and relevance

Our role

14.3 Our role within the provincial public service is unique. We are independent of the government of the day and provide information directly to the Legislative Assembly. The Legislative Assembly uses our information to help fulfil its role of holding the government accountable for how public monies are managed and how services are delivered. We also assist government by providing recommendations to senior officials of the departments and agencies we audit.

Our vision

14.4 We are committed to making a difference for the people of New Brunswick by promoting, in all our work for the Legislative Assembly, productive, open and answerable government.

Our mission

14.5 We promote accountability by providing objective information to the people of New Brunswick through the Legislative Assembly.

Our values

14.6 Our values impact our performance. We are committed to:

- **Independence and objectivity** - Being independent and objective, in fact and appearance.
- **Accountability** - Being accountable ourselves, and promoting accountability through example and reporting. In doing so, we strive to be a key influence for effective government.

- **Adding value** - Focusing our resources on areas of government where value can be added.
- **Learning** - Enhancing quality by placing emphasis on staff learning and development.
- **Improvement** - Improving our work through innovative thinking and the use of technology.
- **Fairness and respect** - Developing and maintaining professional relationships by treating our own staff and those we contact with fairness and respect.

Office relevance

14.7 Our 2000 Report generated significant interest. Five hundred and fifty copies were printed and distributed. Access to our Report is also available through the Internet, and we are tracking the number of times our Report is visited. During the four-month period following the release of the Report there were over 6,000 visits to the complete Report. In addition to this there were specific visits to individual chapters. Discussions of our findings in the Legislative Assembly and the Public Accounts and Crown Corporations Committees are evidence of the continuing relevance of our work.

14.8 Each year we include in our Report matters that we believe are significant to the Legislative Assembly and the public. These include our findings, conclusions and recommendations arising out of our audit work during the year.

14.9 Our service also includes separate audit conclusions on the reliability of financial statements. These conclusions (auditor's reports) are provided to the Legislative Assembly with the financial statements for the Province as well as the Agencies and Trusts that we audit.

14.10 We see our work remaining relevant and contributing to:

- public confidence in our system of government;
- the Legislative Assembly's ability to carry out its responsibility of holding the government to account; and
- the government's ability to carry out its responsibilities using sound management systems and practices.

Performance indicators

14.11 Early in 1998 we finalized a strategic plan for the Office. This plan identifies our priorities and strategic goals. As part of this exercise, we also established performance indicators. We are tracking our progress against these indicators. This section of our Report identifies each indicator by strategic priority, and discusses our progress to date.

Responding to the needs of users

14.12 We will survey Members of the Public Accounts and Crown Corporations Committees on an annual basis in order to measure our effectiveness in meeting their needs.

14.13 We sent out a survey to all members of the Public Accounts and Crown Corporations Committees in February 2001. The response was encouraging. Committee members indicated that our Report was easy to read and understand, and helped them to do their job better. Once again, all respondents appreciated the condensed report on highlights we issued together with the main Report.

14.14 Committee members once again found the topics addressed in our Report were relevant and contributed to valuable discussion and debate. They also considered our recommendations practical and achievable. While Committee members found our briefing sessions on our Report useful, there was no consensus on whether our Office could be doing more to assist them in their work. However, all agreed that the Auditor General's Office contributes to improved public sector accountability, and provides good value for money for the taxpayers of New Brunswick.

14.15 We will measure the extent to which the recommendations which appear in our annual Report are accepted and implemented. The disposition of all recommendations will be tracked for a period of four years.

14.16 Chapter 11 of this Report provides an overview of the recommendations included in our 1997 through 1999 Reports, arising out of our broad scope audits. It details the departmental responses to our recommendations, and our assessment of the acceptance and implementation of those recommendations.

14.17 We will measure the extent to which accounting and reporting recommendations made by the Public Sector Accounting Board of the CICA are accepted and implemented by the Province of New Brunswick.

14.18 We are tracking this indicator as part of our annual audit of the financial statements of the Province. One significant outstanding issue is that the Province still does not track and report its cumulative investment in tangible capital assets.

14.19 The Province of New Brunswick audit will be completed by June 30th and all Crown agency and Trust Fund audits will be completed by September 30th.

14.20 Our ability to achieve this objective is not totally within our control, because it really depends on when our audit clients close their books for the year and are ready for us to do our work. Notwithstanding this, we believe the indicator is important because it results in us encouraging our clients to close their books as quickly as possible. We support timely reporting of financial information. The indicator also places a discipline on our Office to complete the audit work by a specific date.

14.21 The audit of the Province of New Brunswick was not completed by 30 June. Our auditor's report on the financial statements was dated 10 August. The target date was not met due to the financial statements not being ready for audit until 18 June.

14.22 We are the auditors of nineteen Crown agencies, six pension plans and the Fiscal Stabilization Fund. We completed sixteen of the Crown agency audits and three of the pension plan audits by 30 September. For the three Crown agency audits and three pension plans that were not completed there were delays related to a lack of available resources in our Office to do the work. The Fiscal Stabilization Fund was not ready for audit by 30 September.

Making effective use of resources

14.23 All financial and broad scope audits will be performed within the time allotted.

14.24 We establish detailed time budgets for each of our audits. During the audit, we monitor the time spent by staff members on individual sections of the work. At the end of each audit, we summarize the total time spent, compare it to the total budgeted hours and analyze major fluctuations. For our financial audits, we use the results of this analysis to help us prepare the budget for the following year's work.

14.25 The audit of the Province of New Brunswick was completed within budget. However, of the nineteen Crown agencies and pension plans that were completed by 30 September, six exceeded the budget by more than fifty hours. We examine all over-budget situations to see if there are lessons to be learned that will lead to improvements in the future. One major factor in the current year was the introduction of electronic working paper files (Caseware) in our Office. We are hopeful that the additional time invested up front in this major change in our audit approach will result in efficiencies in future audits.

14.26 We undertook eight major value-for-money audits during the past year that led to chapters in this Report. All eight audits took more time than we had budgeted. We continue to analyze our experiences on each audit, in an effort to become more efficient in carrying out the work, and more realistic in setting our budgets. However unlike our financial audit work which is basically the same year after year, the value-for-money work is usually one of a kind, and there may be very little prior experience to draw on.

14.27 60% of all professional paid time in our Office will be spent directly on financial statement audits or broad scope audits.

14.28 A detailed analysis of staff time for 2000 indicates that 55.65% of the total paid time of all staff, with the exception of our three administrative support staff, was spent directly on audit work (including work on our annual Report). For the first six months of 2001, this number increased to 62.05%. Non-audit time includes statutory holidays,

vacations, courses for accounting students and professional staff, sick leave and administrative duties not chargeable to a specific audit. We were disappointed not to reach our target in 2000, and are striving to improve in the current year. Factors contributing to the failure to meet our target were extended study leave for four employees writing their final Chartered Accountant exams, and extended sick leave for one member of our staff.

14.29 Of the total time spent directly on financial statement audits and broad scope audits, 30% will be spent on broad scope audits.

14.30 Our analysis indicates that, in 2000, we spent 47.10% of total audit time on broad scope audits. For the first six months of 2001, this number rose to 54.03%. This reflected a conscious and successful effort to reduce audit time on financial statement audits so that more time is available for broad scope audit projects. We have increased the target for 2001 to 45%, to better reflect the current mix of audit work in the Office.

Maintaining professional standards

14.31 We will meet the standards required by the New Brunswick Institute of Chartered Accountants Mandatory Practice Review Committee.

14.32 The Institute inspected our Office files in November 2000. The inspection concluded that we continue to meet the standards required by the Institute. No exceptions were noted.

Financial information

14.33 Budget and actual expenditure for 1999-00 and 2000-01 by primary classification is shown in Exhibit 14.2. The approved budget for the 2001-02 year is presented for comparative purposes.

14.34 Staff costs continue to account for approximately 90% of our budget and were underspent by \$78,800 for the year ended 31 March 2001. Although we filled the two vacant positions we had at the start of the year, we lost two other staff members during the year. Only one of these positions had been filled by 31 March 2001. The cumulative effects of this turnover, plus savings resulting from a maternity leave, caused the underspending.

Exhibit 14.2

Budget and actual expenditure (thousands of dollars)

	2002	2001		2000	
	Budget	Budget	Actual	Budget	Actual
Wages and benefits	1,398.7	1,398.4	1,319.6	1,397.1	1,261.3
Other services	122.8	121.9	114.1	118.4	117.9
Materials and supplies	8.3	8.4	8.7	7.9	7.2
Property and equipment	45.2	34.2	39.4	22.1	42.5
	1,575.0	1,562.9	1,481.8	1,545.5	1,428.9

14.35 Our legislation requires an annual audit of our accounts by a qualified auditor, appointed by the Speaker of the Legislative Assembly

on the advice of the Board of Management. This audit is conducted by the Office of the Comptroller and their audit report is tabled before the Legislative Assembly.

Staff resources

14.36 Our Office continues to provide experience and training to our employees. New employees must enrol in a professional accounting program, namely CA (Chartered Accountant), CMA (Certified Management Accountant) or CGA (Certified General Accountant). Before staff begin this professional training they must have, as a minimum, one university degree at the bachelor level.

14.37 Staff turnover is an inevitable consequence of being a training office for professionals. During the past year, two staff left to join the private sector.

14.38 Our staff complement remained unchanged during the year at 25. Brent White CA, Paul Jewett CA and Phil Vessey CA are the directors for our three audit teams. At 31 March 2001 there were fifteen professional staff with accounting designations. Our staff also included six students who hold a university degree which is a prerequisite for both enrolment in an accounting program and employment at our Office. The three remaining members of our staff provide administrative support services. One position was vacant. The following is a list of staff members at 31 March 2001:

Lorna Bailey ⁽¹⁾	Greg Mignault, CMA
Cathy Connors Kennedy, CA	Bill Phemister, CA
Alphonse Doyle ⁽²⁾	Ken Robinson, CA
Jocelyn Durette ⁽²⁾	Yvonne Samson, CA
Sarah Hearn ⁽²⁾	Diane Swan ⁽¹⁾
Eric Hopper, CA	Al Thomas, CA
Peggy Isnor, CA	Phil Vessey, CA
Paul Jewett, CA	Brent White, CA
Cecil Jones, CA	Darlene Wield ⁽¹⁾
Kim Embleton ⁽²⁾	Daryl Wilson, FCA
Deidre Green, CA	Tania Wood ⁽²⁾
Laurie Haines, CA	Shauna Woodside ⁽²⁾

⁽¹⁾ Administrative support

⁽²⁾ Student enrolled in a professional accounting program