

Chapter 11

Follow-up on Prior Years' Audit Work

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Follow-up on Prior Years' Audit Work

Background

11.1 One of the performance indicators for our Office is to measure the extent to which recommendations which appear in our annual Report are accepted and implemented. We believe that each of our recommendations, if implemented, would either have a positive impact on the cost or delivery of a government service or would improve the accountability of government to New Brunswick taxpayers. Where a recommendation is not implemented we feel it is important to understand the reason why. It may be necessary for us to raise an issue again, if we believe the action or the response on a recommendation is not satisfactory.

11.2 Our policy is to track the disposition of our recommendations for a period of four years.

Scope

11.3 In August 1998 we contacted government departments and Crown agencies to obtain their assessment of the current status of all recommendations made in our 1993 to 1997 annual Reports. The responses indicated a high level of acceptance of our recommendations (89%), but a much lower level of implementation (51%). A number of recommendations were assessed as partially implemented (4%) or were in the process of being implemented (28%).

11.4 During 1999 we performed a follow-up review to determine the current status of recommendations arising out of our broad scope audits first reported in our 1995 through 1997 Reports. This follow-up review consisted of examining the response we received at the time of the audit and the assessments received in 1998 as well as talking to appropriate officials in each department. We also asked departments and agencies to provide us with their assessment of the current status of recommendations included in our 1998 Report. Since there has been only eight months between the time our 1998 Report was published and when we did our follow-up work we thought it would be premature to comment on progress to date. We will review these self-assessments during 2000.

11.5 This chapter includes only the original recommendations made by our Office, the departmental responses and our current assessments. 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.

Results in Brief

11.6 The Department of Advanced Education and Labour (now the Department of Education) has substantially implemented the recommendations included in our 1995 Report, relating to community college operations and private training organizations.

11.7 The Department of Education has implemented the recommendation included in our 1996 Report, relating to school district financial reporting.

11.8 The Department of Finance has implemented the recommendations included in our 1996 Report, relating to cash management.

11.9 The Department of Finance has substantially implemented the recommendations included in our 1997 Report, relating to the revenue management system contract and its termination.

11.10 The Department of Health and Community Services is making some progress in implementing the recommendations included in our 1997 Report, relating to air ambulance service.

11.11 The Department of Health and Community Services has substantially implemented the recommendations included in our 1997 Report, relating to the inspection function of the Ambulance Services Branch.

11.12 The Department of Justice is taking steps to implement the recommendations included in our 1995 Report, relating to the Court Services Division.

11.13 The Department of Natural Resources and Energy is taking steps to implement the recommendations included in our 1997 Report, relating to revenues received under the Metallic Minerals Tax Act and royalties pertaining to potash mining. However, progress has been slower than anticipated.

11.14 The Department of Supply and Services has fully implemented only one of the recommendations included in our 1997 Report, relating to the privatization of the Province's data processing facility.

11.15 The Department of Transportation has implemented the recommendations included in our 1996 Report, relating to the Vehicle Management Agency.

**Department of
Advanced Education
and Labour
(Now the Department
of Education)**

11.16 In our 1995 Report, we made four recommendations as a result of an audit of training programs offered at community college campuses, and a review of the Department's role in relation to private training organizations operating in New Brunswick.

11.17 We recommended the Department ensure that the mission, operating principles and values identified in the corporate strategic plan are effectively integrated into campus plans.

11.18 In our 1996 Report, we reported the Department's own assessment of its progress, as follows:

The intent is still to ensure all sections of the Department, including the NBCC are in line with the corporate planning cycle. The NBCC-Special Operating Agency formed April 1, 1996 has accepted the planning cycle and intends to adopt it. Also a business plan for the NBCC- SOA will be updated on a yearly basis. This business plan will act as the SOA's corporate plan and be linked to the Department's corporate plan. In turn, each of the ten colleges will have individual business plans linked to the SOA plan and the Department plan.

11.19 We recommended that the Department ensure all campuses set reasonable implementation goals for integrating distance education technologies into their programs.

11.20 In our 1996 Report, we reported the Department's own assessment of its progress, as follows:

The Department continues to move toward co-ordination of distance education activities. A position in the TeleEducation-NB is dedicated to co-ordination and elimination of duplication. As the Virtual Campus becomes a reality, some of the issues surrounding cooperation and co-ordination with the private sector in the delivery of courses on-line will be addressed. TeleEducation will be integrated with the Virtual Campus with strong representation from the private sector and clearly defined outcomes will be identified.

11.21 We recommended that the Department implement procedures to ensure all private trainers that require registration under the Trade Schools Act are complying with the Legislation; and implement a process which will ensure a high quality of private training is maintained in New Brunswick.

11.22 In our 1996 Report, we reported the Department's own assessment of its progress, as follows:

An additional consultation with Industry occurred on June 25, 1996 to discuss alternative structures for the proposed

statutory corporation. It is anticipated that amendments to the Trade Schools Act will be introduced during the next sitting of the Legislature, with implementation expected early in 1997.

When responding to the 1995 Report of the Auditor General, the Department had indicated that it was not administratively nor economically feasible to register all Private Training Institutions.

Currently, Operators are being monitored and if necessary contacted and advised that failure to comply is a violation of the legislation and may result in legal action being taken. To date, this action has resulted in more schools being registered. Although the Department has had reasonable success with this approach, it is anticipated that the new legislation will further improve compliance with registration requirements.

The Department feels that quality is a matter of contractual obligation between the student and the training provider. It is critical that both parties understand the significance of their involvement and consequently a new Student/Training Organization Contract is being proposed.

This will contain many statements that will clearly define responsibilities, deliverables and expectations. The consumer will receive more pertinent information and be in a better position to make an informed decision on quality issues prior to making a commitment to a particular Training Organization.

11.23 We recommended the Department ensure that benchmarks and performance indicators are established for all key activities of the college system. The results should be reported publicly as part of the Department's Annual Report.

11.24 In our 1996 Report, we reported the Department's own assessment of its progress, as follows:

The Department had two indicators accepted by the Board of Management earlier in 1996. Both these performance indicators were related to the NBCC. These indicators were:

- 1) Percentage of individuals who graduate from NBCC. (Target: 77% by 1999);*
- 2) Percentage of graduates who find employment. (Target 80% by 1999). Additional indicators have been developed and will be submitted to the Board of Management in mid-November.*

11.25 Based on our 1999 review, we are satisfied that the Department has substantially implemented our recommendations. However, the Department's role in relation to private training is still reactive rather than proactive. For the most part, the Department reacts to student and operator complaints, rather than trying to mitigate potential complaints and problems. The Department continues to believe that the quality of training is a contractual responsibility between the training provider and the student, within the regulatory environment established by the Department.

11.26 These recommendations were first included in our 1995 Report. Since four years have passed, in accordance with our policy we will no longer be tracking their status.

Department of Education

11.27 In our 1996 Report, we recommended the Department provide budget to actual comparisons of the results of the eight administrative units constituted under the new administrative structure and include the results in the annual report.

11.28 The Department responded at the time:

The Department is of the opinion that your report outlines, in a fair manner, the difficulties which were encountered while attempting to provide to you a clear and detailed analysis of where savings were actually realized. This includes the inconsistencies in the reporting of administrative costs and also the global funding of school district operations which allowed for the reallocation of funds for administration prior to the abolition of local school boards in February 1996.

With the new education structure, district actual spending patterns versus amounts budgeted will be monitored in the same way as in other parts of government. The districts will be expected to live within administrative budgets and will not have the same freedom to take resources away from the classroom. The 1995 Report of the Auditor General, and the exercise of preparing the analysis for the four districts has highlighted the need for this type of accountability so that spending patterns that result from changes can be monitored and reported.

11.29 We reviewed the Department's 1997-98 annual report, and confirmed the inclusion of budget to actual comparisons for the eight administrative units. This recommendation has been implemented.

Department of Finance

Cash management

11.30 In our 1996 Report, we made twelve recommendations as a result of an audit of the cash management function of the Department's Treasury and Debt Management division.

11.31 In 1998, we asked the Department to assess the current status of each recommendation. The most recent departmental response follows each recommendation.

11.32 We recommended the Department record the cash managers' practices and procedures. There should be clear documentation of the reporting relationships which exist between the central cash managers and other parts of government. Clear documentation of the sources of all information used in making the decisions to either invest or obtain financing in the short term should also be included.

11.33 The Department responded:

The cash managers' practices and procedures are documented in various forms. Contacts and sources of information are now documented. Files have been created on the components that make up cash inflows and outflows. As well, job descriptions and performance appraisal mechanisms have been established which will result in improved documentation of the cash managers' procedures and practices and the relationship that exists with other parts of the government.

The prime function of the cash manager is to meet the day to day funding requirements of the Province. The elements making up the funding requirements are forecasted on a macro level and adjusted daily at the micro level. The daily cash requirements, expected cash requirements, market receptiveness, interest rate levels, etc. all impact on the final decision-making process. Sources of information are documented within the cash management function. Regular weekly meetings are held to discuss issues facing the Division, including cash position, financing needs and short term investing. Reports are issued weekly and daily to the Executive Director.

11.34 We recommended the Department formally define the role and responsibilities of the Money Market Analyst.

11.35 The Department responded:

The Department has formally defined the role and responsibilities of the Money Market Analyst.

11.36 We recommended the Department more clearly communicate to all departments and Crown agencies the role and responsibilities of the Province's central cash managers.

11.37 We recommended the Department evaluate the need for additional instruction and direction to departments and Crown agencies regarding special reporting and referral of cash flows to the central cash managers. Any measures implemented should specifically address offices and districts in outlying areas of the Province.

11.38 The Department responded:

Currently central cash managers maintain contact with department and agency representatives responsible for program delivery in order that a consolidated cash flow forecast can be made. Contact is maintained throughout the year to track variances from initial expectations. The larger revenue/expenditure areas are obviously of most immediate interest to central cash managers and here contact is frequent. The Deputy Minister of Finance has sent out a memo to all departments in this regard.

11.39 We recommended the division consider the issues of accountability and internal control when undertaking its review of the accounting systems related to the cash management function.

11.40 The Department responded:

As indicated in the Auditor General's commentary respecting this recommendation, cash position and transaction records are submitted and reviewed by the Executive Director. As evidence of this examination a file is maintained by the Executive Director. Tickets have been developed to document and enact all transactions. They must be signed and authorized. A back office function has been established for Treasury and proper specialized Treasury Management systems are currently being examined.

11.41 We recommended the Department formally and objectively review the cash management function, its information requirements and its related reporting systems.

11.42 The Department responded:

Coincident with the reorganization of the Division, a review of functions, information and reporting systems has been undertaken to ensure continued efficiency and effectiveness in cash management operations and changes have occurred.

11.43 We recommended the Department ensure adequate performance standards are established and implemented for the evaluation of the central cash managers. These performance standards should support the achievement of the Department's objectives.

11.44 The Department responded:

Performance standards and benchmarks are currently being developed and updated. This initiative is consistent with the overall objective of enhanced performance in the public service.

11.45 We recommended the Province's negotiated banking arrangements with financial institutions be supported by written proposals together with clearly documented analyses in support of the final decision. The signed agreements should be kept on file in the Department.

11.46 We recommended the Department consider an alternative to the current procurement of banking arrangements, such as tendering for banking services. All decisions regarding banking arrangements should be based on a formal and thorough cost-benefit analysis.

11.47 The Department responded:

Formal contracts signed by PNB and banks have been put in place for banking arrangements.

All arrangements for banking services have been made within the terms of the Public Purchasing Act. The department satisfies its banking requirements by using competitive methods to acquire specific services. This approach recognizes that factors such as branch locations, credit considerations, cost constraints, the quality of execution on transactions, etc. play a role in the selection process. Under the current practice, the Province chooses from the various banks those services which can, most cost effectively, be delivered by that bank while ensuring a broad range of banking services to the Province and its clients.

Decisions regarding banking arrangements have been made on the basis of an assessment of the merits and costs of the respective proposals. This is more completely documented in the files.

11.48 We recommended the Province's negotiated banking arrangements with financial institutions be monitored on a regular basis to ensure compliance with the provisions of the agreements.

11.49 The Department responded:

The Department monitors banking arrangements by checking monthly charges and credits as to their reasonableness using current volumes and rates. However in the future, the Department will monitor its banking arrangements on a formal and regular basis to ensure compliance with the provisions of the agreements.

11.50 We recommended the Department request that the banks adopt uniform core names and classifications for Province of New Brunswick bank accounts. This will improve control over the accounts from the banks' perspective and facilitate identification and reporting when dealing with the Province.**11.51** The Department responded:

This concern is primarily a bank issue and not a departmental one. The Province has no direct control over the banks' internal accounting systems. However, the Department has and will continue to use uniform core names and classifications for Province of New Brunswick bank accounts whenever accounts are updated and through all external communications and will continue to request that the banks do the same.

11.52 We recommended the Department ensure that reconciliations of the government records to the bank records be completed for all banks. Differences should be resolved.**11.53** The Department responded:

Treasury and Debt Management authorizes the opening of new accounts to ensure consistency in banking arrangements and to be aware of cash flow implications which may be significant to the Province. However, the day to day operation of the account (for example, accounts opened in remote areas to handle DNR license revenues, Justice fees, etc.) is the responsibility of the respective department. Treasury and Debt Management does confirm annually the status of accounts with departments.

It is the Department's opinion that central administration and control over bank accounts is most effectively accomplished through the departments. However, the Division will discuss the recommendations for account reconciliation with the Comptroller's Office.

11.54 Based on our 1999 review, we are satisfied that the Department has implemented our recommendations.

Revenue Management System

11.55 In our 1997 Report, we made ten recommendations as a result of an audit of the Department's contract with the IBM Consortium to implement an integrated revenue management system. As discussed in our 1997 Report, the contract was terminated in 1996 as a result of the introduction of the Harmonized Sales Tax which transferred sales tax collection to the federal government.

11.56 In 1998, we asked the Department to assess the current status of each recommendation. The most recent departmental response follows each recommendation.

11.57 We recommended that the government of New Brunswick develop a policy to proceed with public/private partnerships and other major system developments only after a contract has been signed between the Province and the related parties.

11.58 The Department responded:

The department continues to concur that signed contracts are a necessity prior to work being undertaken on major system developments.

11.59 We recommended that the Province develop a policy that major system development projects and public/private partnerships should proceed only after net benefits are quantified.

11.60 We recommended that the Province develop a policy of requiring major systems projects to have reasonable estimates of costs and benefits prior to work commencing.

11.61 We recommended the Province monitor budgeted human resource effort to actual effort in carrying out major systems projects.

11.62 We recommended the Province develop a RFP policy requiring the responses to specify charge-out rates in detail. This would assist the RFP evaluation committee in recommending a successful bidder. Terms such as "NB Market Rates" should be clearly defined.

11.63 We recommended that a contract should not be signed until clear and reasonable rates are established.

11.64 We recommended the Province analyze its experience to date with public/private partnerships and CPP arrangements. It should determine whether these procurement methods are delivering solutions in the most economical and efficient manner possible.

11.65 The Department responded:

The Department is currently developing protocols and guidelines that will address all these issues. They are expected to be completed by Fall 98.

11.66 In January 1999 the Department issued a document entitled "Public-private Partnerships (Guidelines and Protocols)". The document addresses most of the issues raised in the above recommendations. However, to our knowledge, the Province has not completed a formal analysis of its experience to date with public/private partnerships.

11.67 We recommended that the Department of Finance examine expense claims for the RMS project.

11.68 The Department responded:

The Revenue Division has identified in its work plan for fiscal 98/99 the audit of supporting documents for expenses claimed by IBM towards the RMS project. A letter has been issued to IBM advising of our intent to review their supporting documentation this year to which they have acknowledged receipt.

11.69 We were subsequently informed that this audit is in progress.

11.70 We recommended all key terms be defined in contracts prior to their signing. In particular, the method of calculating profit components should be clearly defined.

11.71 We recommended the Department exercise its right to audit under clause 6.7 of the contracts to determine whether it can receive a refund for all or a portion of the commercial profit.

11.72 The Department responded:

The Department continues to concur that the method of calculating profit components should be clearly defined in future contracts.

It was the decision of government to harmonize its sales tax with the GST. IBM entered into the business alliance fully prepared to accept the risk of being paid from benefits. Up until the decision was made to commence harmonization negotiations, IBM was carrying that risk. It was the decision of the department that IBM be paid in accordance with the business alliance discussions to that point. These commitments included established rates, interest and profit.

Although the department will be carrying out an audit of the expenses claimed by IBM towards the RMS project, it will not be looking at the area of commercial profit for the reasons already stated. We will ensure future contracts more clearly represent the discussions taking place on the method, as well as the rate, for calculating profit.

11.73 Based on our 1999 review, we are satisfied that the Department has substantially implemented our recommendations.

Department of Health and Community Services

Air Ambulance

11.74 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.

11.75 We recommended that future lease agreements be signed in advance of the period covered by the agreement.

11.76 The Department responded at the time:

[We] concur that it is optimal to completely conclude final contract negotiations prior to the initiation of any contract for service, but it was necessary to begin providing service prior to this occurring.....the Department and the service providers did duly execute a memorandum of agreement prior to service initiation binding both parties to the provisions, conditions and limitations of the Request for Proposal and the service provider's response to it. The Department of Justice reviewed this document, and considers such documents to be legally binding on both parties.

11.77 We recommended that clear, measurable objectives be designed for the air ambulance service and linked to the existing air ambulance mandate.

11.78 The Department responded at the time:

An application for accreditation of the service by the Commission for the Accreditation of Air-Medical Services will take place during the 1998-99 fiscal year. The application process requires that goals and objectives be set and measured. These will be linked to the mandate.

11.79 We recommended that an appropriate group of operating reports be developed by NB AirCare and provided to the Ambulance Services Branch on a regular basis. These reports should allow management to monitor operations at NB AirCare and to assess the degree to which strategic objectives are being met.

11.80 We further recommended that incident reports and responses to questionnaires be summarized and included in regular reporting to Ambulance Services Branch management.

11.81 The Department responded at the time:

This.....will be addressed in two ways: development of a strategic information plan for the Ambulance Services program to provide an integrated approach to contractual and finance, air and land operations, patient information, and inspection and enforcement needs; and development of the application for accreditation of the service, which will require comprehensive standardized reporting for the air ambulance service to be available.

11.82 We recommended that the rates per service currently being charged to the other provinces be re-evaluated to ensure that they adequately cover all costs associated with the provision of air ambulance service.

11.83 The Department responded at the time:

The current tri-partite agreement between Nova Scotia, PEI and New Brunswick expires March 31, 1998. These comments will be considered at that time. During negotiation of any such agreements, care must be taken to not exceed the market value of such a service.

11.84 We recommended that the current facilities be reassessed and that improvements be made as necessary.

11.85 The Department responded at the time:

We are working with the aviation service contractor to examine opportunities for improvement; however there is currently no additional hangarage at the Moncton Airport. In regard to the physical plant provided for the coordination function, a detailed examination will be undertaken as part of the evaluation of a pilot for land ambulance dispatch. Changes will be made as appropriate subsequent to this evaluation.

11.86 Based on our 1999 review, the Department is making some progress in implementing our recommendations. The Department now receives service volume, response time and financial reports monthly, and quarterly summary activity reports. However, there are still no measurable objectives for the air ambulance service. The current rate agreement with Nova Scotia and Prince Edward Island expired on 31 March 1999, but, by mutual agreement, the terms will continue in effect until a new agreement is signed. The current rates are similar to those in effect at the time of our 1997 audit. With regard to the facilities,

there are plans for staff to move to a larger, improved Dispatch Centre late this year.

Ambulance services

11.87 In our 1997 Report, we made nine recommendations as a result of an audit of the inspection function of the Ambulance Services Branch of the Department.

11.88 We recommended appropriate policies and procedures for the inspection process be clearly established, properly documented, effectively communicated, and updated on an annual basis.

11.89 The Department responded at the time:

The establishment of a separate inspection unit, appropriately resourced, and with expertise to design operational policies and procedures will allow this to occur. Design work will commence in November, 1997.

11.90 We recommended an inspection schedule be compiled on an annual basis, and updated as needed.

11.91 The Department responded at the time:

Policies in regard to licensing and inspection frequency, criteria, and timing and terms will soon be implemented. These policies will be approved and monitored by the Director.

11.92 We recommended a means of monitoring the inspection function be established and performed regularly.

11.93 The Department responded at the time:

The Branch has implemented monthly Inspection Unit meetings between Unit staff and the Director to address inspection activity, results, and plans, and to address administrative issues such as policy administration, long-term trends, and effects on other units within the Branch.....A long-term management approach to ensuring compliance will be designed and implemented.

11.94 We recommended the Branch ensure compliance with all set Standards and with legislation.

11.95 We recommended enforcement actions be established. These actions should be used to ensure compliance with the Standards.

11.96 We recommended follow-up inspections be done to determine if identified deficiencies have been corrected.

11.97 We recommended licensing be used as a means of enforcing the Standards. The licensing and inspection functions should work together. Inspection results should be reviewed as part of the licensing process.

11.98 We recommended the Branch develop alternatives (ex. Probational licenses, temporary suspensions) to the current automatic annual license renewal practice.

11.99 The Department responded at the time:

The Department has a clearly documented compliance process which defines timeframes and conditions under which ambulance services are tracked and monitored. With adequate resources, linkages to financial incentives and disincentives and a mechanism to temporarily replace an ambulance service in cases where a license was terminated or suspended, this....is being addressed.

Authority to enforce standards is discrete from the ability to do so. The Department has chosen to provide motivation to ambulance services by linking financial incentives/ disincentives to service contract performance. Linkages to license status and an ad-hoc ambulance replacement system will take place, the ability to effectively enforce standards will be established.

11.100 We recommended the problems with the computer system be formally identified and addressed, by either updating or replacing the current system.

11.101 The Department responded at the time:

Development of a strategic information plan for the Ambulance Services program....is underway.

11.102 Based on our 1999 review, we are satisfied that the Department has substantially implemented our recommendations.

Department of Justice

Court Services Division

11.103 In our 1995 Report, we made twelve recommendations as a result of an audit of the Court Services Division of the Department. Our audit focused on three areas:

- recommendations arising out of a Quality of Service Study (QSS) completed by the Department in 1992;
- the Family Support Order Services (FSOS) system; and
- the system for the collection of fines, bail and restitution.

11.104 In our 1996 Report, we reported the Department's own assessment of its progress. In 1998, we again asked the Department to

assess the current status of each recommendation. The most recent departmental response follows each recommendation.

11.105 We recommended that the costs of Department of Justice programs and services be established to provide a means of determining the savings generated by the NBIJ project.

11.106 The Department responded:

No longer applicable as NBIJ is no longer a government initiative.

11.107 We recommended that the Department prepare a formal update of the QSS recommendations and determine the current status of the *Implementation Plan*. In doing this, the Department should disclose:

- **which recommendations are non-applicable or in need of revision;**
- **which recommendations will not be implemented;**
- **to what degree the Department has fulfilled the purpose of the QSS (i.e. to address four primary issues facing the Court Services Division); and**
- **how and when the NBIJ initiatives will impact QSS recommendations.**

11.108 The Department responded:

ASNBIJ is no longer a departmental initiative, the update was not completed as planned. An update on the status of implementation will be provided by November 30, 1998.

11.109 The Department did provide us with an update on the status of implementation of the QSS recommendations.

11.110 We recommended the Department continue to work with the Interdepartmental Committee to resolve the issue of responsibility for Court Security. Further, we recommended that the Department of Justice request the Interdepartmental Committee to engage the RCMP to perform a follow-up review of the 1992 study. This would provide an independent assessment of the progress towards implementation of the recommendations.

11.111 The Department responded:

A status report on implementation of the recommendations was completed by the Department. It is the opinion of the Department that an independent review of the 1992 study is therefore not necessary as a follow-up plan is being currently developed to address the remaining recommendations.

As it relates to Court Security specifically, discussions are on-going with municipalities, police chiefs and the Department of Justice and Solicitor General. In three cities, Sheriff officers provide security and transportation services for the Provincial Court since it was determined that this was the most cost effective model. On-going attempts are being made to formalize this current practice with the municipalities.

A follow-up plan will address the recommendations of the RCMP report related to security personnel for the court buildings and the construction plan for Miramichi Court House. This plan will target these areas for action in future years. There are no immediate plans to act on these recommendations.

11.112 We recommended the Department improve accessibility through reducing complexity in the Court system with the implementation of QSS recommendations #26-#29.

11.113 The Department responded:

***MOVE program:** was initiated by the group for Mediated Offender Victim Encounter for the Moncton region. The Department was a participant in this initiative whereby a pilot project was established to evaluate its effectiveness. A sampling of 30 cases were chosen for the pilot. This measure was a post-conviction pre-sentencing measure which required the involvement of numerous volunteers, on average amounted to 12 hours per case instead of a short court appearance and involved 2 court appearances instead of one court appearance. An evaluation was carried out following the pilot project. It was determined that this type of measure was not cost effective.*

Instead, the Department was a participant in the Alternative Measures Program implemented by the Department of the Solicitor General which is a pre-charge option with no formal charges being laid, but evidence to proceed with charges required.

***Circle sentencing:** Discussions between departments and native communities have been on-going since 1995. With the recent implementation of the Alternative Measures program by the Department of the Solicitor General, current discussions will focus on how best to benefit native communities through this program. Two instances of circle sentencing have taken place at the request of the accused and/or their counsel over the last year.*

Unified Criminal Court: this project is no longer being pursued by the federal and provincial Departments of Justice.

Small Claims: The Small Claims Act was assented to on February 28, 1997. It established a court to hear claims up to \$6000. Provincial appointees will hear small claims. The program will be up and running January 1, 1999. This newly constituted court will provide improved access to justice and a less expensive alternative to the Court of Queen's Bench.

Child Support Guidelines: Amendments were made to the Divorce Act and Income Tax rules governing child support on May 1, 1997. Amendments to the Family Services Act and a new regulation incorporating the federal child support guidelines came into effect on May 1, 1998 in New Brunswick. With federal funding assistance, additional resources were obtained to deal with the influx of child support variations resulting from the legislative amendments.

11.114 We recommended the Department implement objective standards for locating and maintaining satellite courts. These standards should consider all related costs, not just Department of Justice costs.

11.115 The Department responded:

Standards have been developed which need to be formally approved. As noted, costs to the Department of Justice are not the only consideration.

11.116 We recommended the Department implement an ongoing monitoring process as discussed in QSS recommendations #23 and #36. This should include monitoring the costs of services.

11.117 The Department responded:

As Enforcement status process was established in 1996-97 whereby all enforcement cases can now be tracked as to their enforcement status and payment/default profile. Enforcement and management reports are generated to assist enforcement officers and managers monitor progress of caseload and achievement of performance targets.

The JIS (Justice Information System), YOAIS (Young Offenders...Information System) and the MAES (Maintenance and Enforcement System) are being currently replaced. Monitoring mechanisms are part of the systems' designs.

11.118 We recommended the Court Services Division provide training and procedural direction to the bookkeepers and

enforcement officers in the regions. The new policy and procedures manual should be implemented at the same time.

11.119 The Department responded:

Training sessions were held in 1996 and manuals reviewed and distributed. A case management program was also introduced to enforcement officers to enable them to track the enforcement status of their caseload by producing computer generated enforcement reports.

11.120 We recommended all trust account bank reconciliations be completed and maintained on a regular basis.

11.121 The Department responded:

Regions consolidated banks accounts resulting in fewer bank reconciliations to be carried out and also reducing the opportunity for errors. Furthermore, reconciliations are now much simpler in the Family Support Orders Service. Reconciliations are now automated and a Central Unit now has the responsibility to issue all support payments.

11.122 We recommended that in order to improve the efficiency of the bookkeeping and enforcement activities, the Department should develop a system that will eliminate the need for duplication and strengthen the financial controls in FSOS.

11.123 The Department responded:

All ledgers cards have been eliminated in the regional bookkeeping offices. The MAES automated system is being replaced and Phase 1 component of the new system will be operational by year end. This new system should eliminate the need for staff to duplicate their efforts and assist in strengthening the financial controls.

11.124 We recommended the Department develop procedures which determine who in each region is responsible for follow-up on outstanding Warrants along with recommended follow-up actions.

11.125 The Department responded:

An alternative process to the Warrant of Committal has been implemented – Default Hearings. Prior to the issuance of a warrant in response to a Criminal Code offence, a default hearing must take place to determine the reasons why an individual has not paid the fine. This process has resulted in an increase in payment of fines avoiding issuance of warrants.

11.126 We recommended the Department consider making it easier for the public to pay a fine.

11.127 The Department responded:

With the replacement of JIS and YOAIS, the long term plan is to design interfaces to Service New Brunswick and other payment outlets. The design also includes the usage of debit and credit cards.

11.128 We recommended the Department take immediate steps to collect outstanding fines. The steps taken should address the causes of the increase identified in the various studies and reports.

11.129 The Department responded:

A project was undertaken in 1997 to collect outstanding fines. The primary finding of the project was that there were many fines on the system for which time had already been served. Work continues in an effort to increase compliance of a court order. Recently more Judges of the Provincial Court have begun conducting default hearings in criminal matters in order to enforce their orders. This has had positive results.

11.130 Based on our 1999 review, we are satisfied that the Department is taking steps to implement our recommendations. The Department initially planned to address many of our recommendations through the New Brunswick Integrated Justice (NBIJ) initiative. This was to be a “uniform, integrated operational framework for administering and delivering justice in the province”, to be developed by Andersen Consulting in cooperation with the Departments of Justice and the Solicitor General. This arrangement was terminated in 1997 (see comments in our 1998 Report), and the Department then had to implement alternative solutions. In the circumstances, it is understandable that progress in some areas has been slow.

11.131 These recommendations were first included in our 1995 Report. Since four years have passed, in accordance with our policy we will no longer be tracking their status.

Department of Natural Resources and Energy

11.132 In our 1997 Report, 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.

11.133 We recommended the Department continue its efforts to improve the Metallic Minerals Tax submission forms and ensure the Regulations are revised as appropriate.

11.134 The Department responded at the time:

The Department is in agreement with this recommendation. The Department will continue its efforts to improve the Metallic Minerals Tax submission forms and this continuing project will result in the incorporation of the electronic version of the forms in the Regulations.

The Department is currently reviewing the Metallic Minerals Tax Act (MMTA) and regulations and these changes will be completed by March 1998 to be incorporated in the legislative package for the fall session in 1998.

11.135 We recommended that the Department amend the MMTA to include a requirement that the taxpayer provide an audited statement of its operations in New Brunswick or an audit opinion on a statement of taxes payable under the MMTA.

11.136 The Department responded at the time:

We agree and will take steps to include the requirement in the forthcoming legislative package to be completed by March 1998.

11.137 We recommended the MMTA be amended to indicate the basis of accounting is Generally Accepted Accounting Principles.

11.138 The Department responded at the time:

We agree and a reference to Generally Accepted Accounting Principles will be incorporated in the legislative package to be completed by March 1998.

11.139 We recommended the Department finalize the revised unsigned potash leases.

11.140 The Department responded at the time:

We are in agreement with this recommendation and we are working on finalizing the leases in conjunction with our solicitor at the Department of Justice. These negotiations are complex and time consuming therefore we are targeting a time frame of three to six months to complete this exercise (i.e. by March 31, 1998).

11.141 We recommended the Department ensure both producers compute royalties on the basis of the signed leases.

11.142 The Department responded at the time:

Your recommendation is noted and steps are being taken to ensure both companies comply with the existing leases

notwithstanding the current negotiations. However we do note that with the quarterly basis of reporting versus monthly, because of the fluctuations in selling price and production, that there would be an opportunity cost in the amount of approximately \$280,000 which operates in the Province's favour. This figure is based on information supplied by the company for the period of July 1995 to March 1997.

11.143 We recommended that when the present leases expire, the Department improve cash flow by requesting monthly remittances from potash producers.

11.144 The Department responded at the time:

Your recommendation is noted and will be reviewed by both parties during the negotiations for renewal of the leases in 2001.

11.145 We recommended the Department develop an analysis of the various royalty alternatives prior to the Minister's option to unilaterally change the royalty in 2002. We recommended that a royalty based on production be one of the alternatives.

11.146 The Department responded at the time:

Your recommendation is noted and we agree that alternatives for royalty determination will be explored in advance of the renewal of the leases in the year 2001.

11.147 We recommended the Department improve its approach to the audits of potash producers.

11.148 The Department responded at the time:

We agree with this recommendation and have just recently developed and carried out a significantly strengthened audit approach to potash audits which addressed your recommendation for a more formal documentation of the planning, conduct and reporting of the audit.

11.149 Based on our 1999 review, we are satisfied that the Department is taking steps to implement our recommendations. However, progress has been slower than anticipated.

11.150 Proposed changes to the Metallic Minerals Tax Act have not yet been submitted to the Legislative Assembly. And although there is now only one potash producer in the Province, the Department has still not finalized the revised unsigned potash lease.

Department of Supply and Services

11.151 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.

11.152 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.

11.153 The Department responded at the time:

The Consortium, in consultation with this department, is addressing the issues identified for improvement. The TTSS security protocol replacement is a very costly undertaking to government as major modifications are required to a large suite of customized applications. These changes are being made as systems are replaced and as applications support budgets permit. The pace of reaching the requirement is heavily dependent on budget available for this priority with respect to the TTSS replacement.

11.154 We recommended that the relevant section of the agreement be clarified so that appropriate financial information can be obtained from the Consortium partners.

11.155 The Department responded at the time:

.....the purpose of this section was to ensure we would annually have evidence of the solvency of the Consortium companies. It is not clear.....that this is in fact what is requested and whether an Auditor's Report, not a financial statement, is the requirement. In any case we would not expect any "management letters" unless the external auditor found discrepancies. In the case of Datacor/ISM they did submit a letter that basically testified that the audit had been done. In the case of Unisys, they replied with an Annual Report stating that "Unisys Canada Inc. does not complete external audits on their financial statements". As you know however the U.S. parent is a publicly traded company, and their financial position was investigated when the clear path technology was acquired in 1996-97. The contract allows for a "report on the financial statement" not audited financial statements. Perhaps the external audit report from Datacor/ISM should be more detailed. Unisys, clearly has not attempted to fulfil their requirement here unless one accepts the Annual Report as evidence of solvency.

It should also be noted that the Province has extensive right to audit under 4.12(a) on a confidential, non-disclosure basis all "books, records, documents and other evidence....". There has not been any evidence that financial problems, in

either partner, has impacted on the performance of the contract so no audit has been initiated by ourselves.

11.156 We recommended that the Department analyse the results of the value assurance study, document the results, make recommendations for change where appropriate and prepare an appropriate action plan.

11.157 The Department responded at the time:

The Department has done this. The results of this study were reviewed by Department of Supply and Services (DSS) Contract Management and communicated to the Departments. The Departmental contract advisory committee (DCWG) was given the report and it was discussed and accepted at their 21 March 1997 meeting.

11.158 We recommended the Department review the cost allocation model currently in place and give consideration to suggestions put forward by the user group.

11.159 The Department responded at the time:

This is in process. Principles have already been discussed with the ITSSC. Some detail issues remain but we are in the process of coming up with a recommendation. We are very cognizant of the issue of "paying twice for the same service". Each service including the mainframe is priced separately and care is taken with each new order to ensure the price reflects competitive market rates. As departments migrate off the mainframe there may be an issue of the remaining departments having to cover the price of the mainframe but this is now being watched to ensure decisions account for sunk costs and value for money. This is a government problem and is being addressed through collective planning. A cost allocation model is under review and will shortly be taken to the government by DSS for ratification.

11.160 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.

11.161 The Department responded at the time:

The government usage of the mainframe has continued to increase since the Consortium has assumed its operation. As (and when) this utilization decreases the Contract Management will diligently pursue the reallocation benefits.

Department of Transportation

Vehicle Management Agency

11.162 Based on our 1999 review, we are satisfied that the Department is taking steps to implement our recommendations. However, only one of the recommendations has been fully implemented to date. We will continue to monitor progress towards implementation of the remaining recommendations.

11.163 It should be noted that the make-up of the Consortium operating the Province's Data Centre has changed. It now consists of Unisys Canada Inc. and MITI Information Technology Inc.

11.164 In our 1996 Report, we made four recommendations as a result of an audit of the Vehicle Management Agency. The Agency is a Special Operating Agency created to manage the fleet of government vehicles.

11.165 We recommended the Agency ensure monthly vehicle usage reports are submitted on time for all vehicles, including those assigned to executives.

11.166 The Department responded at the time:

Reporting of monthly usages for executive vehicles is not required for billing purposes, since executive vehicles are only charged a fixed cost per month. However, the Agency will work toward receiving complete monthly usage reports for all executive vehicles.

11.167 We recommended the Agency ensure the reports for monitoring fuel are used for the purpose intended.

11.168 The Department responded at the time:

There are a number of reports designed to monitor fuel consumption. Most of these reports have not been perfected to enable detection of the inconsistencies they were intended to highlight. The client departments also have some responsibility to monitor their own drivers' fuel usage. We agree with the general direction and are working on making changes to improve the exception reports generated and to follow-up on these reports.

11.169 We recommended the Agency properly monitor credit card transactions.

11.170 The Department responded at the time:

We agree with the recommendation. Staffing problems and the ongoing enhancements to the Fleet Management System have caused delays in commencing this activity. We plan to meet the commitment to audit credit card transactions in the near future.

11.171 We recommended the Agency re-evaluate two review processes, and the necessity to fax reports from each District, each day.

11.172 The Department responded at the time:

The AFS does not currently provide all the information recorded on the manual ledgers in a format suitable for performing required reconciliations. The Agency is presently working on an enhancement to the AFS which will eliminate the requirement for these manual ledgers.

When the AFS was first installed, central office was required to monitor these reports closely and provide advice on corrective action. Since district staff are now better trained, the Agency will stop the requirement to fax reports daily. We will reassess this practice should problems recur in this area.

11.173 Subsequent to our audit, the Agency has implemented a new Fleet Management System and has enhanced its Automated Fuel System. Based on our 1999 review, we are satisfied that the Agency has implemented our recommendations.