

Chapter 9

Follow up on Prior Years’ Recommendations

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Follow up on Prior Years' Recommendations

Background

9.1 We have a strategic goal that departments and agencies accept and implement our recommendations. Consequently, we track both the number of recommendations accepted and the number of recommendations implemented. This chapter reports on those two key performance indicators.

9.2 This chapter is intended to promote accountability by giving MLAs and the general public information about how responsive departments and agencies have been to our recommendations. We think it is important that MLAs and the public see if departments and agencies are making progress with our recommendations; recommendations that were significant enough to have been brought to the attention of the Legislative Assembly in previous years.

Scope

9.3 Our practice is to track the status of our recommendations for four years after they first appear in the Report of the Auditor General. We do not normally prepare an update after the first year. After years two, three and four we prepare a status report, which shows departments' and agencies' progress, or lack thereof, in implementing our recommendations. In other words, in this Report for the year ended 31 March 2006, we are tracking progress on recommendations from 2002, 2003 and 2004.

9.4 To prepare this chapter, we request written updates on progress from the respective departments and agencies. We review these updates by meeting with appropriate officials. In some cases we request additional documentation to test the accuracy of the accounts we have been given. In other words, if a department says it has implemented a recommendation, we normally do some checking to see if this is the case.

9.5 This follow-up work is what professional accountants refer to as a "review engagement". Rather than carry out an audit on these updates, we carry out enough procedures to allow us to conclude the information is plausible in the circumstances. Whereas an audit

provides high, but not absolute, assurance, a review provides moderate assurance.

9.6 Exhibit 9.1 gives an overview of the status of recommendations by department and agency. Exhibit 9.2 shows the results organized by year of the original audit. We devote most of the space in this chapter to the status of recommendations from 2002. This is because these recommendations have reached the end of the four year follow-up cycle. We promote accountability by providing the Members of the Legislative Assembly and the general public one last look at those recommendations which have not been adopted.

9.7 For the most part, we have not given any comment on our 2003 and 2004 audits, other than that provided by exhibits 9.1 and 9.2. In cases, though, where we believe a recommendation from 2003 or 2004 requires more attention from a department or agency than it has received, we have provided some additional commentary. We have also reported on recommendations that were originally agreed to but that are now, either tacitly or directly, disagreed with by the department or agency concerned.

Results in brief

9.8 Exhibit 9.1 shows departments and agencies had implemented 170, or 43%, of our 392 recommendations from 2002, 2003 and 2004 by the time we prepared our 2006 Report. We rated another 94, or 24%, as partially implemented.

9.9 Fifty-four of our 153 recommendations from 2002 have not been implemented. We do not intend to follow up on these recommendations in 2007.

9.10 The Department of Supply and Services has still not signed contracts for cellular phone airtime usage charges and long distance charges. The Province has missed out on cost savings of at least \$2 million by not calling and awarding this tender in a timely fashion.

9.11 We do not believe the Department of Transportation has taken sufficient and appropriate action with a number of recommendations we made about comparing costs of the Vehicle Management Agency to costs of procuring the same services from outside providers.

Exhibit 9.1
Status of recommendations

Department	Audit area	Year	Recommendations					
			Total	Disagreed	Implemented	Partially implemented	Agreed/Not implemented	No longer applicable
Various	Crown Agency	2003	19	1	0	3	15	0
	NB Salmon Aquaculture	2004	35	3	8	4	18	2
Business New Brunswick	Accounts Receivable	2002	6	0	6	0	0	0
Education	Payroll Procedures in School Districts	2004	3	0	0	3	0	0
Environment and Local Government	Environmental Inspections	2002	21	0	11	5	3	2
	Beverage Containers Program	2004	12	0	6	3	3	0
Family and Community Services	Child Day Care Facilities	2003	22	0	10	11	1	0
	NB Housing	2003	3	0	0	2	1	0
	Nursing Home Services	2004	24	0	6	14	4	0
	NBCase System	2004	21	3	5	5	7	1
Finance	Pension Plan Governance	2002	23	4	11	1	6	1
	Accounts Receivable	2002	9	0	9	0	0	0
	Tax Expenditure Programs	2003	6	0	0	1	5	0
Health & Wellness	Accountability of Psychiatric Hospitals and Psychiatric Units	2003	22	1	17	1	3	0
	Client Service Delivery System	2002	1	0	1	0	0	0
Justice	Accounts Receivable	2002	9	1	2	5	0	1
	Pre-Arranged Funeral Services	2004	2	0	1	1	0	0
Office of Human Resources	Absenteeism	2003	26	8	10	7	1	0
	HRIS	2003	5	0	3	1	1	0
Post-Secondary Education, Training and Labour	Employment Development Programs	2002	12	0	11	1	0	0
	Training and Skills Development	2003	3	0	3	0	0	0
Public Safety	Office of the Fire Marshal	2002	23	0	16	5	2	0
	Motor Vehicle Revenue	2002	2	0	2	0	0	0
Regional Development Corporation	Provincially Funded Programs	2004	18	3	8	2	3	2
Service New Brunswick	Service Agreements	2003	2	0	0	2	0	0
Supply and Services	Cellular Phones	2002	7	0	2	4	0	1
	Management of Insurable Risks to Public Works Buildings	2003	16	1	1	8	6	0
Transportation	Vehicle Management Agency	2002	40	12	21	5	1	1
Totals			392	37	170	94	80	11

Exhibit 9.2

Status of recommendations by year

Year	Recommendations					
	Total	Disagreed	Implemented	Partially implemented	Agreed/Not implemented	No longer applicable
2002	153	17	92	26	12	6
2003	124	11	44	36	33	0
2004	115	9	34	32	35	5
Totals	392	37	170	94	80	11

Comments on recommendations from 2002

9.12 Fifty-four of the 153 recommendations we made in our 2002 Report have not been fully implemented by departments. While we are pleased that 65% of our 2002 recommendations have been appropriately addressed, we are reporting in this chapter on the 35% that have not been completely implemented.

9.13 Exhibit 9.3 shows all of the fifty-four 2002 recommendations that have not been fully implemented and our assessment of their current status. Our assessment appears under the column titled "our assessment after four years". The term "partial" in this column means we have judged the recommendation as partially implemented. The term "not implemented" means we have determined the department or agency has not made progress with the recommendation, but neither have they disagreed with it in their responses of the last four years.

9.14 These recommendations have reached the end of the four year follow-up cycle. We believe it is important from an accountability point of view for the Members of the Legislative Assembly and the general public to have one last look at these recommendations which have not been fully implemented. Perhaps the Members could reflect upon them when making their enquiries during meetings of the Public Accounts Committee.

9.15 Immediately following exhibit 9.3, we provide some additional commentary on some of those recommendations from 2002 audits in:

- Department of Justice – Accounts Receivable
- Department of Post-Secondary Education, Training and Labour – Employment Development Programs
- Department of Supply and Services – Cellular Phones
- Department of Transportation – Vehicle Management Agency

Exhibit 9.3

Department	Audit	Recommendations made in 2002 that were not fully implemented	Our assessment after 4 years
Environment and Local Government	Environmental Inspections	The Department should use inspection schedules to assign work to the inspectors. The inspection schedule should include both routine and non-routine inspections. (Routine inspections should be done to control risks in accordance with a predetermined coverage plan. Non-routine inspections should also be done when appropriate, to address complaints received from the public and to determine if identified deficiencies have been corrected.)	partial
		The Department should update its compliance and enforcement policy.	partial
		To aid in the enforcement of the legislation, the Department should integrate the inspection function with the processes for issuing licenses, permits, approvals, etc.	partial
		The Department should establish a reporting system for inspection results so problems and common issues are identified and appropriate corrective action is taken on a timely basis.	partial
		The Department should establish controlled processes for designating inspectors and issuing identification cards to inspectors.	partial
		The Department should prepare the inspector's report required by paragraph 25(3) of the <i>Petroleum Product Storage and Handling Regulation - Clean Environment Act</i> and issue a copy of the inspector's report to the applicant, as required by paragraph 27(6) of the regulation.	not implemented
		The Department should consider the inspection of salvage yards when performing a risk assessment and developing an inspection strategy and an inspection plan.	not implemented
		The Department should establish performance indicators and monitoring procedures for evaluating and reporting on compliance with legislation.	not implemented
Finance	Pension Plan Governance	The plan document should clearly define the roles and responsibilities of all parties involved in the selection of investment managers.	partial
		The governor has never formally approved the investment policy and we recommended the appropriate approval be sought.	disagreed
		We recommended the investment policy include the requirement for appropriate communication with the plan governor when changes to investment policy are prepared.	disagreed
		We recommended the role of the plan governor be formalized to ensure that the governor's approval is required for certain changes to the investment policy (i.e. asset classes and allocation percentages).	disagreed
		We recommended the actuarial review committee be used by the governor to provide information that can be used to assist in making well-informed decisions on the investment policy of the plan.	disagreed
		The identity of the plan governor of the General Labour, Trades and Services Pension Plan should be formally recognized. The duties and responsibilities should be clearly set out in pension plan documentation.	not implemented
		We recommended there be a documented purpose or mission for the pension plan. We also recommended there be a clear link between the purpose of the pension plan and the long-term real rate of return objective as set by NBIMC in the investment policy for the fund.	not implemented
		There should be a requirement in place for the plan governor to formally monitor and evaluate NBIMC, as an investment manager, on at least an annual basis.	not implemented
		The plan governor should publish an annual report for this pension plan. The Province's annual report policy should be used as a guideline for the preparation of the report.	not implemented
		We recommended that the governor's practice of approving major decisions of the plan be supported by requirements within the plan document.	not implemented

Department	Audit	Recommendations made in 2002 that were not fully implemented	Our assessment after 4 years
Justice	Accounts Receivable	We recommended a formal collection system be established to collect overdue court fines.	partial
		In the short term, the Department should develop strategies, including specific objectives, to eliminate the backlog of receivables. Priority should be given to collecting large fines.	partial
		The Department should use performance targets, standards, and indicators to measure collection performance. These measurements should be used to evaluate the success of collection efforts and to hold staff and managers accountable for their performance.	partial
		We recommended that annual reporting should include financial information and performance measures relating to the collection function. The Department could include, as part of the accountability information it provides to the Legislative Assembly about receivables, year-to-year comparisons of: the number and dollar value of fines satisfied during the year including fines satisfied by serving jail time; recoveries and write-offs; timeliness of collection; costs of programs for collecting overdue receivables; and the balance of overdue accounts at year end.	partial
		We recommended old receivables be written off promptly when it is deemed they will not be collected.	partial
		Data prior to 1999 should be verified to ensure it contains accurate information for collections and to ensure the receivable balances are correct.	disagreed
Post-Secondary Education, Training and Labour	Employment Development Programs	We recommended that the draft departmental information technology security policy be completed and finalized as soon as possible.	partial
Public Safety	Office of the Fire Marshal	We recommended the OFM complete the P & P manual it started in 2000 as soon as possible.	partial
		We recommended the OFM assign duties for specific sections of the Act to individual employees and monitor them to ensure they are completed.	partial
		We recommended that the OFM develop a formal process to monitor the degree to which the Act is complied with.	partial
		We recommended the OFM take immediate corrective action to ensure there is compliance with the following: an annual report should be submitted to the Minister; time deadlines should be monitored; fire and insurance reports should be submitted on time; all building plans specified in the Act should be filed; there should be volunteer and paid firefighter training standards set by the OFM; the method of fire order delivery should be monitored; and the OFM should consider imposing a levy on fire premiums relating to automobiles.	partial
		We recommended that all PDQs be reviewed periodically to ensure they are still current and are updated or re-written where they are not.	partial
		We recommended the Department pursue the implementation of the amendments proposed and consider the additional points we have raised to determine if further amendments are required.	not implemented
		We recommended that the OFM develop a formal process to report on the degree to which the Act is complied with. Since compliance with legislation would seem to be such a key measure of effectiveness reporting in this safety organization, we recommended that the degree of compliance be reported in the Department's annual report.	not implemented
Supply & Services	Cellular Phones	We recommended the Department comply with the <i>Public Purchasing Act</i> and tender airtime and long distance usage for cell phones.	partial
		We recommended all departments establish written guidelines for assigning cell phones and the related usage plans to users based on identified need.	partial
		We recommended that departments ensure cell phone charges are reviewed by users on a regular basis and by supervisors on a random or test basis.	partial
		We recommended that all departments have a written description of the duties of their telecom officers. These descriptions should include the telecom officers' specific duties with respect to cell phones and the importance of using the guidelines of the Department of Supply and Services for managing telecommunications.	partial

Department	Audit	Recommendations made in 2002 that were not fully implemented	Our assessment after 4 years
Transportation	Vehicle Management Agency	We recommended the Agency formalize a succession plan to address the problems associated with its aging work force. This plan should include strategies, goals and time frame for completion.	partial
		We recommended the Agency comply with policy by reporting to Board of Management the cost per kilometre of operating the government fleet, and comparative costs of alternate means of providing transportation. Further, this type of reporting would seem to be an excellent measure of effectiveness to include in the Agency's annual report.	partial
		We recommended that the Agency revisit its measures for the customer perspective of the Balanced Scorecard. This should include enhancements to the measures for the fleet reliability and customer convenience objectives.	partial
		We recommended the Agency attempt to replace vehicles according to its own life cycle costing plan.	partial
		We recommended the Agency review the role of regional inspectors and develop guidelines for more systematic inspection schedules. For example, inspectors could inspect all assets over the optimal replacement age or all assets that exceed pre-established annual and /or lifetime spending limits.	partial
		We recommended the Agency complete a staffing study of head office to ensure adequate services are being provided in the most economical fashion.	disagreed
		We recommended the Agency continue to review the assignment of shop superintendent staff to ensure the most equitable and economical assignment of superintendent positions.	disagreed
		We recommended the Agency review the cost/benefit of having an accurate costing system that reflects the true cost of repairing and maintaining a vehicle. This would include ensuring the following: assets are only charged once for repair costs; warranty charges are debited and warranty credits are credited to the proper asset; and HST is not charged to an asset.	disagreed
		We recommended the Agency have systems in place to detect large and unusual charges made against an asset.	disagreed
		We recommended that the results of the comparable pricing review be used to determine the most economical means of providing repair and maintenance services to government-owned vehicles.	disagreed
		We recommended the Agency develop clearly defined goals regarding mechanic utilization that are based on relevant industry standards. These goals should be clearly communicated to staff and progress towards achievement should be monitored.	disagreed
		We recommended the Agency develop standards and measures for mechanic effectiveness. Further, the Agency should consider the benefits and costs of extending these standards and measures to its performance evaluation process for mechanics.	disagreed
		We recommended that the Agency revisit the Balanced Scorecard to ensure it includes established industry benchmarks for its performance indicators.	disagreed
		We recommended the Agency formalize and enforce policy regarding work to be done on executive vehicles prior to disposal.	disagreed
		We recommended the Agency audit a sample of credit card vendor invoices for authenticity on a monthly basis.	disagreed
		We recommended the Agency ensure kilometres travelled are accurately reported on a monthly basis.	disagreed
		We recommended the Agency consider comparing kilometrage to fuel consumption through random sampling as a tool to monitor fuel usage.	disagreed
We recommended the Agency develop standards for measuring mechanic efficiency. We further recommended that these standards be monitored and used as a component of performance evaluation.	not implemented		

Department of Justice and Consumer Affairs – Accounts Receivable

9.16 There are six recommendations outstanding from our 2002 audit of Justice accounts receivable. Five were intended to improve the collection of accounts receivable. The other one recommended writing-off uncollectible accounts receivable.

9.17 The Department informed us that they have done some work on improving collections. They have carried out a pilot project in

Saint John, and are currently carrying out an additional pilot project in the Miramichi region.

9.18 The Department also informed us that they would soon meet to discuss procedures to write off certain types of overdue fines; specifically, the fines associated with deceased people. We do not believe that the Department has responded promptly to our recommendation. The problem with retaining uncollectible accounts on the active listing is that they can interfere with the active management of the accounts that can still be collected. We reiterate that the Department promptly write-off old receivables when it is deemed that they will not be collected.

Department of Post-Secondary Education, Training and Labour – Employment Development Programs

9.19 In 2002 we recommended that the Department's draft information technology security policy, which it had just established, be completed and finalized as soon as possible. Over the last three years the Department has continued to inform us the policy is still in draft form pending government-wide direction from the Department of Supply and Services. As noted in this year's response from the Deputy Minister of Post-Secondary Education, Training and Labour:

Since 2002, Corporate Information Management Services (CIMS) has been working on developing a government wide Information Technology Security Policy. Although the CIMS policy is still not "official", our Department has put in place many of its recommendations and best practices. Our Department will provide the necessary resources to implement the remaining aspects of the CIMS policy once it has been approved as the official government wide policy.

9.20 In our opinion, the Department of Post-Secondary Education, Training and Labour has done what it can do to implement this recommendation.

Department of Supply and Services – Cellular Phones

9.21 During our 2002 audit of Cellular Phones, we recommended the Department comply with the *Public Purchasing Act* and tender airtime and long distance usage for cell phones. At the time of the audit in 2002 the Department responded:

The Department will be tendering for cellular air time and cellular long distance rates by the spring of 2003, in conjunction with the new cellular hardware contract. This is consistent with the telecom procurement policy approved by the Board of Management at the request of the Department of Supply and Services.

9.22 In 2004, the Department issued a tender for cellular service plans and long distance which would result in five year service contracts. That tender closed in April 2004. The Department completed its evaluation of this tender in the fall of 2004, and proceeded to submit the results of the evaluation and the Department's recommendations to cabinet.

9.23 Board of Management Minute 06.0092, dated March 30, 2006 "...authorized the Department of Supply and Services to negotiate five-year contracts with Rogers Communications Incorporated and Aliant Telecom for the provision of..." a package of telecom services that included cellular air time and cellular long distance. The Board Minute stated that these telecommunications services were to have "a targeted split of 80% of the total expenditures to Aliant and 20% to Rogers." The Board Minute also indicated there would be savings of an estimated \$22.4 million over the five year life of these contracts. Further, the Department informed us that \$6.7 million of the savings could be specifically attributed to the cellular phone portion of the contracts. We reviewed the calculation of this \$6.7 million in savings and obtained reasonable assurance that it was accurately calculated.

9.24 In the fall of 2006 Supply and Services informed us that letters of intent had been signed with Rogers and Aliant and contracts should be signed shortly. As of December 2006 the contracts remained unsigned, but the new rates were in effect for most users.

9.25 In 2005 we said that by failing to award these tenders on a timely basis, the Province had paid hundreds of thousands of dollars in unnecessary cellular airtime and long distance charges. We now estimate that by delaying the award of the contract from 2004, when the Department had completed its evaluation and had arrived at a recommendation, until 2006, the Province gave up at least \$2 million in savings on the cellular phone portion of the telecommunications contract. It is also possible that savings in the other components of the telecommunications contract were foregone.

9.26 We have not done any work to verify whether the Province achieved the lowest possible rates in either the cellular phone component or the full telecom services package dealt with in the two contracts. We have also not audited the Department's process to determine if it was in compliance with the *Public Purchasing Act*.

**Department of
Transportation – Vehicle
Management Agency**

9.27 We made 40 recommendations to the Department of Transportation in 2002 as a result of our audit of the Vehicle Management Agency (VMA). The Department has implemented 21. It has disagreed with or rejected another 12, and one was eliminated due to a policy change. There are still six of our recommendations that have not been fully implemented.

9.28 In this, the last year of follow-up on this VMA audit, we are highlighting some of our recommendations which VMA chose not to implement and which concerned due regard to economy.

9.29 We recommended in 2002 that the Agency comply with policy by reporting to Board of Management the cost per kilometer of operating the government fleet and comparative costs of alternate means of providing transportation. We also included a recommendation that this reporting would be an excellent effectiveness measure to include in the VMA's annual report.

9.30 Instead of implementing this recommendation, the Department had the Board of Management revise Vehicle Policy AD-1702 by removing the requirement for them to make cost comparisons.

9.31 Another of our recommendations was that the Agency revisit its Balanced Scorecard to ensure it includes established industry benchmarks for its performance indicators.

9.32 In its original 2002 response, the Department said "*VMA agrees to review information on industry standards and will consider the feasibility of using this information in various aspects of measuring performance.*" In 2005, however, the Department informed us "*Because of the diversity of the vehicle fleet (e.g. type of vehicle, make model, age and nature of use) being repaired at its shops, VMA is currently using internal benchmarks to compare results from similar size Agency shops rather than comparing to industry benchmarks.*"

9.33 In other words, the Department was again rejecting the notion of comparing itself to outside providers. By comparing the Agency's performance to established fleet benchmarks, the Agency could have been in a better position to assess performance. If it was meeting or exceeding industry benchmarks, it would have had objective evidence it was doing a good job.

9.34 We found this reluctance to compare and report somewhat surprising, particularly in light of the Department's response to another of our recommendations. This recommendation called for the Agency to conduct a review to compare its costs to the prices of comparable repair and maintenance services offered by the private sector. In 2005 the Department informed us that it "completed a review to compare pricing of major types of work by the private sector." The Department added that "Based on this review, it was determined that any further analysis would be of limited benefit."

9.35 To support this viewpoint, the Department provided us with its own spreadsheet "Comparison of Central Repair versus Outside Vendors." This spreadsheet analyzed approximately twenty different types of repair services. It compared the VMA average central repair cost to an outside vendor's remanufactured or new cost. According to this spreadsheet, in about 90% of the cases, average VMA cost was cheaper than the private sector.

9.36 Based on its spreadsheet analysis, which we did not audit, VMA indicates that it is the low cost provider of services. Yet, on the other hand, in dealing with any recommendations to present comparative cost information, VMA has decided not to disclose its cost advantage.

9.37 In our 2002 Report we said "in situations where government is providing services that can also be provided by the private sector it is extremely important to regularly evaluate whether or not a change should be made. This is the only way to ensure taxpayers are receiving value for money."

9.38 We continue to believe it is important for government to assess and report publicly on the cost efficiency of the VMA. We understand that it would not be practical to do an annual comprehensive external cost comparison for all of the activities of the VMA, however, we continue to believe that periodic comparisons would be valuable. By not presenting comparative data, MLAs do not have the means to ensure VMA is providing these services as efficiently as possible. Therefore,

We recommend that the government amend Board of Management policy AD-1702 to require measures of cost effectiveness. Further, these measures should be included in the annual report in order to demonstrate the Department's effectiveness in providing this service.

Comments on recommendations from 2003 and 2004

General - 2003 audit on Crown agency governance

9.39 We continue to believe that this reporting should regularly compare the cost per kilometer of operating the government fleet and comparative costs of alternate means of providing transportation.

9.40 In 2003 we made 19 recommendations on various aspects of Crown Agency Governance. They included such things as selecting the right mix of board members, clearly establishing government's performance expectations for its Crown agencies, and improving the quality of reporting to board members and the public.

9.41 On June 27, 2006 a letter from Executive Council informed us:

In the government's response to the final report of the Commission on Legislative Democracy (CLD), there is a call to establish an Agency, Board and Commission (ABC) Appointment Unit, similar to that of the models found in Nova Scotia and British Columbia. It is expected that this unit will be housed in the Executive Council Office and will be responsible to coordinate all ABC appointments, work with departments to streamline levels of compensation, create board profiles, determine personal suitability of members that are used to fill vacancies and advertise vacancies to the general public. ...

The ABC Appointments Unit of the Executive Council Office will be guided by the fundamental principles of good governance. As such your recommendations will provide direction for future governance practices as coordinated by the Appointments Unit. ...

The public, as a stakeholder, is constantly demanding greater accountability from government and those that provide advice or direction to ABCs. Tangible efforts have been made by ABCs to ensure that practices of good governance are applied to their situation. The government's desire to do more in the area of good governance will be realized once the ABC Appointments Unit is established and its mandate is implemented. In the interim, the government is committed to utilizing good governance practices where applicable.

9.42 This response offered substantial promise of progress.

*Office of Human Resources
2003 audit on absenteeism
management*

9.43 We are uncertain how the process will unfold given the recent change in government, but we urge the Executive Council to improve the Province's governance frameworks for Crown Agencies.

9.44 In 2003 we recommended that the Office of Human Resources regularly compare absenteeism statistics to other Provinces and private industry, as a step to measure the effectiveness of absenteeism management.

9.45 This year the Office informed us that

Given the variability in the types of work performed between the private, other public sectors and the New Brunswick public sector, comparing absenteeism statistics would not be meaningful.

9.46 We believe the Office should work towards obtaining relevant comparative absenteeism statistics in order that the Province can better manage absenteeism.