Office of the Auditor General

Our Vision

A relevant, valued and independent audit office serving the public interest as the House of Assembly's primary source of assurance on government performance.

Our Mission

To make a significant contribution to enhanced accountability and performance in the provincial public sector.

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Table of Contents

1 Message from the Auditor General

I am pleased to present my May 2013 Report to the House of Assembly on work completed by my Office in early 2013.

As the Province's Auditor General, my goal is to work towards better government for the people of Nova Scotia. As an independent, nonpartisan officer of the House, I and my Office help to hold the government to account for its management of public funds and contribute to a well-performing public sector. I consider the needs of the House and the public, as well as the realities facing management, in providing sound, practical recommendations to improve the management of public sector programs.

My priorities are: to conduct and report audits that provide information to the House of Assembly to assist it in holding government accountable; to focus audit efforts on areas of higher risk that impact on the lives of Nova Scotians; to contribute to a better performing public service for Nova Scotia; and to encourage continual improvement to financial reporting by government, all while promoting excellence and a professional and supportive workplace at the Office of the Auditor General. This Report reflects this service approach.

This report presents the results of audits completed in early 2013 at a number of departments and agencies. Where appropriate, we make recommendations for improvements to government operations, processes and controls. Department or agency responses have been included in the appropriate chapter. We will follow up on the implementation of our recommendations in two years, with the expectation that significant progress will have been made.

2 Follow-up of 2007 to 2010 Performance Audit Recommendations

Government's overall implementation rate of our performance audit recommendations is poor. Government departments are not taking adequate measures to correct operational deficiencies identified in our audit findings. We continue to find a low level of commitment to implementing the recommendations we make to correct these deficiencies. At this point, only 41% of our 2010 recommendations have been implemented. Overall, only 62% of recommendations from our 2007 to 2010 reports have been implemented.

The low implementation rate for 2010 is in large part due to the very low rates at the Departments of Environment (24%), Service Nova Scotia and Municipal Relations (24%), Health and Wellness (41%), Community Services (45%), and Education and Early Childhood Development (47%). This lack of action has practical consequences in the management of programs. It means, for instance, that higher risk contaminated sites may not be given priority for monitoring; critical security weaknesses in registry systems and electronic health records remain a risk; mental health standards and service standards for the residential care sector are not implemented; and deficiencies in P3 school contract management processes which may impact student health and safety continue.

The Department of Health and Wellness has failed to implement 12 recommendations and certain district health authorities have failed to implement four recommendations from our 2007 audits. Due to this lack of appropriate action to address weaknesses, limited funds for medical equipment may not be allocated to the highest priority needs; patient safety risks associated with the use of MRIs and CT scanners may not be adequately addressed; ambulance fees and overpayments to service providers may not all be collected; and some nursing homes may not provide an appropriate level of care to residents. Uncorrected deficiencies such as these can impact government finances, service delivery to the public, and health and safety.

We reviewed the information supporting government's Provincial Update on the Auditor General Recommendations and found numerous errors in management's assessment of the status of recommendations. Reporting to the public and developing an

2

internal tracking system are positive steps toward ensuring program weaknesses are addressed. We support these steps; however, we are concerned that their effectiveness is compromised due to inaccurate information.

Continued poor results are indicative of a systemic problem in which many senior management in government are ineffective in addressing operational weaknesses they know to exist in their programs.

Details on the status of all performance audit recommendations from 2007 to 2010 can be found on our website at oag-ns.ca.

3 Community Services: Child Welfare – Investigations, Monitoring, and Foster Care

The Department of Community Services responds to allegations of child abuse or neglect, assesses the level of risk to the child and determines how quickly the allegations should be investigated based on the risk assessment. While this aspect of the child welfare program is working well, investigations are not always started on time or completed in a timely manner. Further, deficiencies in the program, particularly in ongoing monitoring of foster children, families under court supervision and foster families, significantly impair the Department's ability to protect children's interests or support foster families on an ongoing basis.

We found many lapses in policy-mandated contacts to monitor children and foster families. We identified 13 situations in which the required three-month contact with the foster family did not happen for more than a year and 18 situations in which the required 30-day contact with children in care was more than 60 days late. When monitoring did occur, we found issues were appropriately addressed by the Department. One quarter of the children in care files we tested had no care plans; most plans we found were completed late and regular plan reviews were late in more than 70% of the files tested. These plans are significant because they document the services the child or family needs.

We tested 140 investigations. In each case, the Department determined how quickly an investigation was required based on its assessment of risk to the child. However, following this assessment, we found investigations were not always started or completed in a timely manner. Investigations began late for 12% of the files we tested and one quarter of investigations had gaps of more than three weeks with no investigative activity. Once allegations were examined, we found the Department's processes were adequate to ensure reports of abuse and neglect are appropriately investigated.

Screening and approval of regular foster families was generally adequate. However, little guidance exists for screening and approval of kinship foster homes. We identified many inconsistencies in approving these homes and recommended new policies be implemented to address this area.

4

The Department does not know how long it takes to approve foster families. Having an adequate number of foster families to care for children in need is a major challenge in the foster care system and this information would assist management in evaluating the effectiveness of its current process.

We found the Children and Family Services Act has gaps related to age limits for foster care and an outdated definition of neglect. We recommended those areas of the Act be updated.

Recommendations

Recommendation 3.1
The Department of Community Services should update the Child Protection Services Policy Manual to ensure it clearly describes current processes and required documentation. The manual should also be provided in a user-friendly, electronic format.

Recommendation 3.2
The Department of Community Services should update the Foster Care Manual to ensure it clearly describes current processes and required documentation. The manual should also be provided in a user-friendly electronic format.

Recommendation 3.3
The Department of Community Services should establish a regular review schedule for its child protection, children in care and foster care manuals. As sections are reviewed, any changes identified should be implemented promptly.

Recommendation 3.4
The Department of Community Services, in partnership with Executive Council, should update the Children and Family Services Act to ensure it adequately addresses modern practices related to age groups covered by child welfare and includes a modern definition of harm due to neglect.

Recommendation 3.5
The Department of Community Services should record and track all complaints, including any investigation carried out and the resolution.

Recommendation 3.6
The Department of Community Services should extend its file audits to cover all aspects of foster care, including screening and approval of foster families.

Recommendation 3.7
The Department of Community Services should clarify the priority response times for commencing child abuse or neglect investigations.

Recommendation 3.8
The Department of Community Services should commence all investigations within the assigned priority response times.

Recommendation 3.9
The Department of Community Services should document supervisor approval and rationale for all investigations exceeding six weeks.

Recommendation 3.10
The Department of Community Services should require case checklists be completed on every file closed at intake or opened for ongoing child protection services as evidence the supervisor completed the required case audit.

Recommendation 3.11
The Department of Community Services should track and monitor the length of time it takes to approve all foster families.

Recommendation 3.12
The Department of Community Services should update the foster care manual to include clear, well-defined kinship foster family policies and procedures.

Recommendation 3.13
The Department of Community Services should prepare, and monitor compliance with, Comprehensive Plans of Care for all children in care according to policy requirements.

Recommendation 3.14
The Department of Community Services should conduct all initial contact meetings within seven days following a child's placement in care as required by policy. Meetings should be documented in case files.

Recommendation 3.15
The Department of Community Services should comply with the 30-day contact requirement for all children in care.

Recommendation 3.16
The Department of Community Services should clarify dental standards for children to address the age at which visits are first required.

Recommendation 3.17
The Department of Community Services should comply with health and dental standards for all children in care.

Recommendation 3.18
The Department of Community Services should establish monitoring standards for families under court-ordered supervision.

Recommendation 3.19
The Department of Community Services should prepare complete case plans within 30 days as prescribed by standards.

Recommendation 3.20
The Department of Community Services should conduct supervisory reviews to assess progress implementing case plans every 90 days, or sooner if defined in the plan. These reviews should be documented in the case file.

Recommendation 3.21
The Department of Community Services should meet with all foster families every three months in the foster home as required by standards.

Recommendation 3.22
The Department of Community Services should have initial contact with all foster families within five working days of each child's placement as required by standards.

Recommendation 3.23
The Department of Community Services should conduct annual reviews of each foster family as required by standards.

4 Transportation and Infrastructure Renewal: Mechanical Branch Management

The Department of Transportation and Infrastructure Renewal's management of mechanical branch operations is deficient. Management lacks fundamental information needed to effectively manage operations. Oversight of operations is inadequate, which has contributed to a number of the deficiencies identified in this chapter. Controls and processes which are fundamental to ensure inventory is adequately safeguarded and equipment is appropriately repaired and maintained, either do not exist or are ignored. We are concerned with management's lack of action to correct operational problems which they know exist.

Parts and tool inventories are exposed to an unnecessary risk of theft due to the lack of appropriate controls. A significant number of variances are identified during inventory counts when parts on hand differ from inventory records. This is indicative of a poorly controlled inventory system. In most cases, management does not know the reason for these variances.

Management lacks the information needed to effectively monitor repair work. Staff do not always include complete and accurate descriptions of work done on repair jobs or the date the work was performed. Management does not know the hours spent and parts used during all repair jobs as information is not tracked in that manner. There are no standards to indicate how long repairs should take. Without this information, management is unable to determine whether staff are working efficiently and whether parts and labour for repair jobs are reasonable.

We found certain required preventative maintenance was not being completed. There was inadequate evidence to support whether other required repair work was completed. In our 2005 audit report on fleet management at the Department, we recommended that preventative maintenance activities be adequately documented. This recommendation has not been addressed.

The Department is not doing a good job of managing total life cycle agreements. These agreements should limit the province's exposure to repair and maintenance costs on certain equipment. However, not all eligible costs are identified due to insufficient information and inadequate analysis of repairs completed.

We have made a number of recommendations to address the weaknesses identified in this report. These recommendations should be a priority for implementation and are necessary to protect government's significant investment in mechanical branch operations.

Recommendations

Recommendation 4.1
The Department should assess all mechanical branch operations and implement the recommendations in this chapter where similar conditions exist.

Recommendation 4.2
The Department should update its policies and procedures to reflect operational practices and the recommendations in this chapter.

Recommendation 4.3
The Department should implement a quality assurance process to regularly monitor operational activities and controls.

Recommendation 4.4
The Department should approve tool purchases and retain documented support for the approval.

Recommendation 4.5
The Department should deactivate all inventory stockroom electronic key-cards issued to former employees at Miller Lake and moving forward, should deactivate key cards when employees leave.

Recommendation 4.6
The Department should change stockroom door locks and store keys in a secure location at Miller Lake.

Recommendation 4.7
The Department should evaluate which staff require access to parts and tool inventories at Miller Lake. Only those with an operational need should have access.

Recommendation 4.8
The Department should implement the recommendations from its December 2012 crime prevention review at Miller Lake.

Recommendation 4.9
The Department should restrict inventory access to authorized personnel at the Truro mechanical branch.

Recommendation 4.10
The Department should store shared tools and supplies in a secure area with limited access. The Department should also maintain an inventory of shared tools and supplies and require staff to sign tools out for use.

Recommendation 4.11
The Department should track and maintain inventory distribution forms.

Recommendation 4.12
The Department should update parts inventory within one week of distributing the part.

Recommendation 4.13
The Department should record all parts distributed on a distribution form.

Recommendation 4.14
The Department should implement a process to ensure all parts inventory distribution forms identify the specific repair job and are signed by the mechanic receiving the part.

Recommendation 4.15
The Department should approve all inventory adjustments. Additionally, adjustments should be reviewed periodically by someone independent of the inventory adjustment process.

Recommendation 4.16
The Department should implement a process to ensure inventory write-offs are properly approved as required by Department policy.

Recommendation 4.17
The Department should change system access so that supervisors with responsibility for inventory counts cannot also change inventory records.

Recommendation 4.18
The Department should establish criteria to investigate inventory count variances.

Recommendation 4.19
The Department should establish a process to investigate variances which includes action required, documentation and approvals.

Recommendation 4.20
The Department should establish standards detailing the nature and type of information to be documented on paper work orders, including dates work was completed and timelines for retention of the work orders.

Recommendation 4.21
The Department should implement a process to ensure electronic work orders include accurate and complete information which is updated in a timely manner.

Recommendation 4.22
The Department should implement a process to ensure parts and labour hours are charged to specific repair jobs.

Recommendation 4.23
The Department should implement a process to ensure only the actual parts and shop supplies used for a repair are recorded to the job.

Recommendation 4.24
The Department should close electronic work orders once repair jobs are complete so that no additional postings can be made.

Recommendation 4.25
The Department should require management to perform a periodic reasonableness review of the hours and parts charged to jobs.

Recommendation 4.26
The Department should require mechanics to sign off on the final work orders for which they are responsible.

Recommendation 4.27
The Department should revise approval policies and practices to purchase parts for repair jobs so they are consistent among districts. Approval should be documented.

Recommendation 4.28
The Department should require staff to sign indicating receipt of parts used for specific repair jobs.

Recommendation 4.29
The Department should implement and monitor time standards for repair activities.

Recommendation 4.30
The Department should establish a policy outlining when it is appropriate to purchase outside repair work, including requirements for documented rationale.

Recommendation 4.31
The Department should revise its policies and practices for outsourced repair approvals so they are consistent among districts. This should include a requirement for documented approval.

Recommendation 4.32
The Department should track mechanics' licenses to ensure they remain valid.

Recommendation 4.33
The Department should revise mechanical branch preventative maintenance practices so that they accurately reflect manufacturers' maintenance requirements.

Recommendation 4.34
The Department should implement a process to ensure required preventative maintenance is completed, including maintaining proper documentation supporting the maintenance performed.

Recommendation 4.35
The Department should make detailed vehicle warranty information readily available to staff.

Recommendation 4.36
The Department should submit annual total life cycle cost claims and final payment claims to manufacturers within 30 days of the contracted timeframe of vehicles as required.

Recommendation 4.37
The Department should implement a process to ensure guarantee details per total life cycle cost agreements are accurately reflected in the tracking spreadsheet.

Recommendation 4.38
The Department should include all eligible costs under total life cycle cost agreements in claims to manufacturers.

5 Agencies, Boards and Commissions: Travel and Other Expenses

We tested travel and other expenses of senior management and board members at eight entities and found weaknesses in controls over expense claims, as well as other areas for improvement. Numerous claims were paid which lacked appropriate support. Without support, such as receipts or details and purpose of the expenditure, we cannot provide assurance that the expenses claimed were appropriate. We recommended only complete expense documentation be accepted and processed for payment.

We found some claims at certain entities were not approved for payment and we recommended all claims be approved. We also found inappropriate approval processes, such as board chair claims approved by the senior executive, senior executive claims approved by subordinates, claims approved by peers, and self-approval of claims. We recommended appropriate approval relationships be established.

Improvements are needed to travel policies at some entities which do not follow government policies. We recommended these entities review and update their policies. We also identified a potential for mileage savings and recommended this be considered when entities make travel arrangements.

Although we found a few instances of inappropriate expense claims they were for insignificant amounts.

The types of weaknesses we identified at the eight entities we visited likely exist at other provincial agencies, boards and commissions. We recommended Treasury Board Office communicate with agencies, boards and commissions that they evaluate their own systems and processes in light of our observations and recommendations and make the improvements required.

Recommendations

Recommendation 5.1
Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to

13

support claims for reimbursement. Claims without complete support should not be processed for payment. [This recommendation applies to all entities tested.]

Recommendation 5.2
Waterfront Development Corporation should develop a process to ensure all expense claims, including claims through corporate credit cards, are signed by an approver as indication of approval for the expense.

Recommendation 5.3
Nova Scotia Primary Forest Products Marketing Board should implement a process whereby per diem claims for board members are reviewed and approved by the board chair prior to submission for payment.

Recommendation 5.4
Appropriate approval processes should be established in approving expense claims. [This recommendation applies to Film Nova Scotia, Hants Regional Development Authority, Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]

Recommendation 5.5
Expenses incurred by other individuals on behalf of senior management should be approved by a person other than the senior manager for whom the expenditure was made. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]

Recommendation 5.6
Senior management expense claims should be reviewed together with related expenses incurred by other individuals on their behalf prior to making payments. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]

Recommendation 5.7
The Nova Scotia Liquor Corporation should establish rules, guidelines and processes for identifying and deducting non-eligible travel expenses from employee and board member claims.

Recommendation 5.8
Claims for mileage should be submitted with related expenses in a timely manner. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]

Recommendation 5.9
Credit card expense claims should be submitted in a timely
manner. [This recommendation applies to Waterfront Development
Corporation.]

Recommendation 5.10
Payments made for ineligible expenses or expenses already claimed
should be recovered. [This recommendation applies to Nova Scotia
Innovation Corporation, Nova Scotia Primary Forest Products
Marketing Board, Strait-Highlands Regional Development Agency,
Sydney Tar Ponds Agency.]

Recommendation 5.11
Late fees and other such avoidable expenses should not be eligible
for reimbursement. [This recommendation applies to Nova Scotia
Innovation Corporation.]

Recommendation 5.12
Senior management should consider coordinating travel
arrangements to reduce unnecessary mileage claims. [This
recommendation applies to Sydney Tar Ponds Agency.]

Recommendation 5.13
Policies should be reviewed and updated, including guidance on
minimum travel distances and claiming staff meal expenses, standard
class for airfare, approval process for board member claims, and
requirement for itemized receipts. [This recommendation applies
to Hants Regional Development Authority, Nova Scotia Innovation
Corporation, Nova Scotia Liquor Corporation, Strait-Highlands
Regional Development Agency.]

Recommendation 5.14
Policies should be communicated in sufficient detail to staff and
board members to provide guidance on eligible travel and other
expenses. [This recommendation applies to Nova Scotia Innovation
Corporation, Nova Scotia Primary Forest Products Marketing Board,
Waterfront Development Corporation.]

Recommendation 5.15
Treasury Board Office should communicate to all provincial
agencies, boards and commissions that they use the observations
and recommendations in this chapter to evaluate their own systems
and processes for travel and other expenses, by and on behalf of,
senior management and board members, and make improvements
as required.