

# Fedeli Focus on Finance

Here is what the Auditor General had to say

Volume 3: No. 12 | December, 2016



**Vic Fedeli** MPP  
DEPUTÉ  
NIPISSING

# Here is what the Auditor General had to say

The Auditor General had another very impactful year, offering a serious look at how the government spent our tax dollars. In May, Bonnie Lysyk provided a Special Report entitled *Government Payments to Education-Sector Unions*, where she revealed that in 2014/15 the government paid \$2.5 million for collective bargaining to three unions, initially without accountability requirements. In June, her Special Report on the *Pan Am/Parapan Games*, revealed that the Games came in \$304 million over budget, or 61% higher than expected. In October, the AG announced the Province of Ontario released their Consolidated Financial Statements adding "This is the first time in the history of Ontario that the statements have been released without the audit opinion."

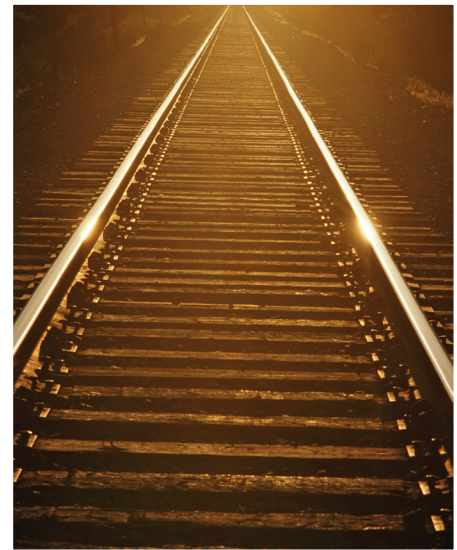
Now, we have the Auditor General's 2016 Annual Report. The title of the News Release sums it up... **2016 Annual Report Identifies Need for Improvements.**

The Report presents the results of value-for-money audits of spending in health care, environment, roads and transit construction, government procurement, and employment programs. I listened carefully as she laid out a blistering indictment of this government's waste, mismanagement, and scandals. I also sat a couple of metres away from the government when they answered the AG. The Deputy Premier opened with "We factually disagree" followed by "We take issue with the Auditor's accounting practices." Her Cabinet Ministers continued with "I'm not entirely sure that her report is accurate" and "I want to correct the Auditor." Not a very professional way to address an Officer of the Legislature.

There were some colourful stories, but none that got heads spinning more than the 'upside-down bridge' tale. The contractor of a pedestrian bridge in Pickering that crossed Highway 401 was so bad that Metrolinx had to take over the completion. They hired the same contractor who then caused "significant damage" to the bridge in phase two. Even after installing one of the trusses upside down, they were paid \$19 million!

Metrolinx came under further scrutiny for the \$4.1 billion they spent over the last five years on various construction projects. She goes on to say that "Design consultants' errors and delays

result in additional costs to Metrolinx, yet they take little action to recover costs and prevent this from reoccurring." In one project alone, errors made by the consultant caused the project to be over budget by 35%, or \$13.6 million. After performing poorly and receiving a letter of default, one contractor was awarded 22 more projects, totalling \$90 million – and continued to have their performance rated as 'poor'. And the 'upside-down bridge' builders... after being terminated, they were re-hired for a new \$39 million GO contract!



The Auditor focused mainly on the \$725 million spent with Canada's two major railway companies. The AG found that when it comes to these two companies, "it does not verify charged costs, it does not ensure that charged costs are reasonable, when it requests that the parts on a project be new (and pays the cost of new parts), it does not require that parts be checked to ensure that they are new, and it has been paying excessively high mark-up rates." One U.S media claimed "The Auditor General laid out a case that (the two railways) saw Metrolinx coming a mile away and sought to harvest every last taxpayer dollar."

In a completely different take on things, the Auditor also wrote about a "Phantom Consultant". A former Director at the Ministry of Government and Consumer Services is alleged to have hired himself as an IT consultant, and billed the government more than \$160,000.

The cumulative effect of these stories is very damning, and paints a picture of a tired and negligent government, incapable of successfully providing even the most basic services. Here is a synopsis of each value-for-money audit, beginning with a direct quote from the Auditor General followed by a short summary of her findings, reprinted directly from the 1,062 page report.

## Child and Youth Mental Health

*"More oversight and analysis of child and youth mental-health agencies is needed"*

Despite a 50% increase in hospitalization of children and youth with mental health problems since 2008/09, the province has not analyzed the reasons for the increase or taken steps to address it. In addition, the Ministry continues to allocate the majority of funding to agencies based on historical allocations rather than the mental-health needs of the children and youth they currently serve.

## Climate Change

*"Ontario's cap-and-trade will not significantly lower emissions within the province by 2020"*

The Ministry's own study projected that Ontario will achieve less than 20% of the reductions required to meet the province's 2020 target. They plan to count emission reductions achieved in California and Quebec, using allowances purchased by Ontario emitters, to meet the remaining 80% of the target. The Auditor concluded the funds for those purchases "may be leaving the Ontario economy for no purpose other than to help the government claim it has met a target."

## Electronic Health Records' Implementation Status

*"eHealth is still unfinished after 14 years and \$8 billion spent"*

Over the last 14 years, the government has spent \$8 billion on various electronic health records projects, but significant components are still not operational. In 2008 the government had committed to providing an EHR for every Ontarian by 2015. The Auditor could not tell whether the \$8 billion represented fair value, because the government never set an overall budget for the project.

## Employment Ontario

*"Better information is needed if employment and training programs are to be effective"*

The province spends more than \$1 billion annually on employment and training programs without sufficient labour-market information about where skilled workers are needed now, and where they will be needed in the future. In addition, only 38% of people using the Employment Service Program reported being employed full-time, and fewer than half of the people who begin an apprenticeship program complete it.

## Environmental Approvals

*"Environmental approval process not effective in regulating polluters"*

Weaknesses in the government's environmental approvals process pose risks to the environment and the health of Ontarians from polluting activities. Significant numbers of emitters may be operating without proper environmental approvals, with the Ministry relying on public complaints to identify emitters operating without approval. Fees cover only 20% of the \$23 million to administer the program, and that's before enforcement and compliance expenditures of \$100 million.



## Environmental Assessments

*"Environmental assessment process has not kept up with the times"*

Current processes for assessing the environmental impact of projects and plans are not in line with best practices across Canada and internationally. As a result, taxpayers could be impacted

financially, as the province may eventually have to pay to clean up these projects. Of the 10 contaminated sites with the largest provincial rehabilitation cost, four are former private-sector sites, with the province facing a rehabilitation cost of \$968 million.

## Housing and Supportive Services for People with Mental Health Issues

*“More attention is needed to placement of high-needs individuals in mental-health housing and supportive services”*

The Ministry lacks information about the demand for and the cost-effectiveness of mental-health supportive housing. The wait lists for ministry-funded supportive housing do not prioritize high-need individuals or those awaiting discharge from psychiatric hospitals. The cost to keep an individual in a psychiatric hospital is approximately nine times that of supportive housing.

## Large Community Hospital Operations

*“After admission, patients are experiencing long waits at large community hospitals for in-patient beds and surgery”*

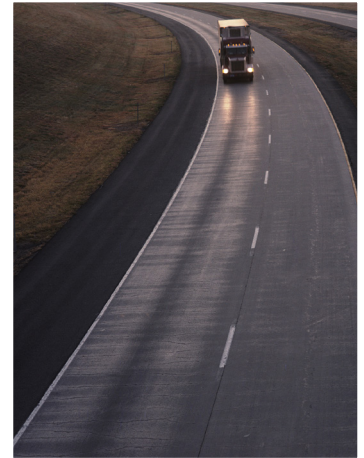
Those who go to an emergency room and have a condition serious enough to be admitted to hospital, wait an excessive amount of time in the emergency room, after admission, before being transferred to intensive-care or other acute-care wards. At the three hospitals visited by the AG team, the time to transfer patients requiring intensive care was 23 hours. Patients needing an acute-care bed waited in emergency for 37 hours. In addition, over 4,000 patients occupied beds they no longer needed, while waiting for long-term care or home care.

## Metrolinx

*“Metrolinx’s oversight of consultants and contractors does not always ensure value for money”*

Metrolinx does not always hold contractors and design consultants accountable for work that is late or inadequate – and sometimes awards new

work to contractors that have performed badly in the past. The lack of a process to hold construction contractors accountable contributes to projects being completed late, inconveniences commuters, and adds extra costs for Metrolinx and taxpayers. The Auditor provided multiple examples of projects that were tens-of-millions of dollars over budget.



## Ministry of Transportation

*“Substandard asphalt leads to early cracking of provincial highways”*

The pavement on major provincial roads has failed prematurely because contractors hired have sometimes used substandard asphalt. Premature cracks in pavement have significantly increased the Ministry’s highway-repair costs. The Ministry also pays contractors bonuses (\$8 million annually) for providing the quality of asphalt as required in the contract. They continued paying these bonuses after discovering that contractors were tampering with the asphalt samples to obtain the bonuses.

## Physician Billing

*“The Ministry needs to improve the oversight of physician billing and payment models”*

Payment models implemented by the Ministry to encourage family physicians to see more patients have not always led to more timely access to care. In 2014/15 there were 243,000 visits to hospital emergency rooms for conditions that could have been treated by family physicians. These visits cost the province \$62 million, including \$33 million for patients whose family physicians had already been compensated for having these patients enrolled in their Family Health Organization.



## Specialty Psychiatric Hospital Service

*"Ontario lacks comprehensive mental-health standards"*

The number of people going to emergency rooms with mental-health issues rose 21% in the last five years, but Ontario does not have provincial mental-health standards for admission, treatments, and discharge for use by all hospitals, and there is no set timetable to create them. In addition, the Auditor found that people with the most severe forms of mental illness who do not receive timely and proper treatment are at a higher risk of harming themselves and others.

## Supply Chain Ontario and Procurement Practices

*"Ministries generally following prudent procurement practices"*

However, the government often hires external consultants to do IT work that costs \$40,000 more per consultant than if the work was done by a permanent IT employee. In addition, the Auditor noted control weaknesses in how ministries procure IT consultants that leave the process vulnerable to fraud. As well, Supply Chain Ontario lacked information it could use to identify new bulk-buying opportunities that could save money on future purchases.

## The Provincial Public Appointment Process

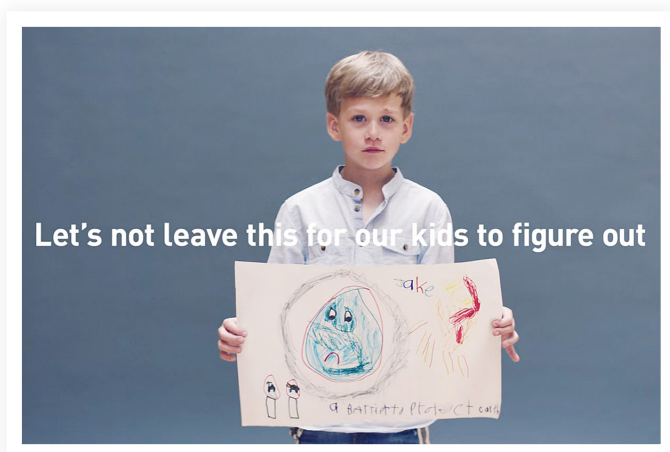
*"Public appointments and re-appointments to Agencies, Boards, and Commissions are not timely"*

In the last five years, there have been significant delays in appointing people to many of the Province's 544 agencies, boards, and commissions. The Report found that positions were vacant an average of 15 to 16 months before new appointments were made. In addition, 275 appointees to non-board-governed agencies (22%) were serving longer than 10 years, contrary to the maximum term allowed.

## Review of Government Advertising

*"The government is using public funds to do more self-promotion"*

After significantly weakening a law to stop the government from using taxpayer funds to pay for partisan advertising last year, the government spent \$50 million in 2015/16 on ads whose primary objective was to make themselves look good. The AG concluded that health-care ads appeared to be self-congratulatory, aimed at ensuring the government gets credit, and the series on the environment could be seen as self-congratulatory and, in some cases, misleading.



*"This ad does not provide viewers with any useful information. This leads us to conclude that the primary objective is to foster a positive impression of the government."*

*Auditor General, Bonnie Lysyk*

## Follow-up Reports on 2014 Value-for-Money Audits

*"Although some progress has been made, the government still has work to do to improve programs and services vital to Ontarians"*

Some highlights include:

- The Ministry of Energy has made little progress to reduce the duplication of smart-meter processing costs;
- Six years after being audited, the Ministry of Health and Long-Term Care plans to fully-implement its overhaul of the immunization program only by 2020;

- The Ministry of Health and Long-Term Care has not yet implemented any recommendations to palliative care, and is still in the early stages of creating an improved system;
- The Financial Services Commission of Ontario has not developed strategies to mitigate financial risk to sponsors and members from underfunded pension plans;
- The Ministry of Community and Social Services has not made progress on wait times or inspections of residential services for people with developmental disabilities.

## Conclusion

When the government writes a cheque – whether it's for a new transit project, the creation of a skills development program to help people find employment, or the establishment of an electronic health records system – the people of Ontario expect their government to ensure they are getting value for their dollar.

Unfortunately, this Auditor General's Report lays out a blistering indictment of this government's waste, mismanagement, and scandals. It paints a picture of a tired and negligent government, incapable of successfully providing even the most basic services.

Finally, we saw far too many examples of a government doing what's in their best interest, not in the best interest of the people of Ontario. Capitalizing on the changes to the advertising rules the government brought in last year, and spending \$50 million on self-congratulatory ads, is a prime example.

## Key Questions

I will repeat the exact four questions posed in last year's Focus on the AG's Report...

Will the government implement all the recommendations made by the Auditor General within the timeframe recommended?

Will the government provide a credible, detailed plan to eliminate the deficit and achieve a 27% net-debt-to-GDP ratio?

Will the government commit to releasing all outstanding agency annual reports?

Will the government heed the warnings of the Auditor General and reverse the changes made to government advertising?



Similar stories of waste, mismanagement, and scandal are disclosed in my newest book, **Focus on Finance 3**.

Please go to [www.fedeli.com](http://www.fedeli.com) to download your own copy of the book.

**If you would like to read previous issues of Focus on Finance, please go to [www.fedeli.com](http://www.fedeli.com) or email us and we'll add you to our electronic mailing list.**



**Vic Fedeli** MPP  
DEPUTÉ  
NIPISSING

Constituency Office:  
165 Main Street East  
North Bay, Ontario P1B 1A9

Tel: 705-474-8340  
Fax: 705-474-9747  
[vic.fedelico@pc.ola.org](mailto:vic.fedelico@pc.ola.org)  
[www.fedeli.com](http://www.fedeli.com)

Queen's Park Office:  
Room 347, Main Legislative Building,  
Queen's Park  
Toronto, Ontario M7A 1A8

Tel: 416-325-3434  
Fax: 416-325-3437  
[vic.fedeli@pc.ola.org](mailto:vic.fedeli@pc.ola.org)