3.2.7 Eastern Residential Support Board (2002 Annual Report, Part 2.13)

Introduction

The Eastern Residential Support Board Inc. (the Board), incorporated on 8 September 1997, is one of five entities throughout the Province which provide co-operative apartment programs for persons with developmental disabilities. The co-operative apartment program provides for a private residential setting operated by an incorporated community board and staffed by a live-in supervisor and relief staff. The program is not meant to provide permanent homes and the main emphasis is on skill teaching and support to enable more independent living. At March 2002, the Board was providing the program for 43 residents housed in 18 units. The Eastern Residential Support Board receives 100% of its funding from Government of which in excess of 95% is provided by the Department of Health and Community Services. This funding was $9.2 million for the year ended 31 March 2002.

In 2002, we performed a review of the Eastern Residential Support Board. The objectives of our review were to assess:

- The financial position and operating results of the Board and to determine whether the Board was adequately managing the program;
- Whether the Board's objectives were consistent with the objectives of the program being funded by the Department of Health and Community Services; and
- Whether the Department of Health and Community Services was adequately monitoring the operations of the Board.

Our 2002 review concluded the following:

- During the period 1999 to 2002, expenses for the Board increased from $5.7 million in 1999 to $9.2 million in 2002, an increase of 61%, while the number of residents remained relatively constant. As well, average expenditures per resident also increased during this period from $143,000 in 1999 to $213,000 in 2002, an increase of 49%.
- While payroll costs represented 84% of total expenditures, there were no guidelines in place to determine the staffing requirement for each resident. During the period 1999 to 2002, staffing levels increased by 55 casual/temporary employees or 29% while the number of residents increased by only 3.

- Although the Board prepared a budget by expenditure type and by housing unit, the budget was not prepared on a timely basis. Furthermore, there was no budget prepared for each resident. As a result, the Board could not effectively monitor planned expenditure for each housing unit and each resident so that significant cost variances could be isolated and corrective action taken on a timely basis.

- The Board was not operating in accordance with the objectives of the co-operative apartment program under which it was being funded. While the program was not meant to provide permanent homes to residents, no resident had ever left the program to move to a more independent living arrangement. As well, the program was not intended to provide 24 hour per day supervision; however, 40 of the 43 residents were receiving 24 hour per day supervision.

- The Department of Health and Community Services was not adequately monitoring activities of the Board as it did not receive financial and performance information from the Board on a timely basis. Furthermore, there was no service agreement between the Board and the Department to outline the roles and responsibilities of each party and to provide guidance for the delivery of the co-operative apartment program.

- Controls over the management of petty cash and trust accounts were not adequate.

Update

In October 2004, we contacted the Eastern Residential Support Board requesting an update as to the progress on the comments and recommendations included in our 2002 report. The information provided by the Board in response to our request is outlined below.

2002 Recommendation

The Board should, prior to the commencement of each fiscal year, prepare a budget for each unit and for each resident, monitor actual expenditures against these budgets, and take corrective action where applicable.

Action Taken

The Board indicated that budgets are being prepared prior to the commencement of each fiscal year in accordance with Department requirements. The Department requested a budget estimate be submitted, for example, for fiscal 2004-05 in the fall of 2003. The Board submitted

this request on 3 December 2003. However, the Board indicated it did not receive approval from the Department until 22 June 2004, after Government approved its 2004-05 budget. This approved budget differed from the initial budget request. Consequently, the Board had to prepare a recast budget for submission to the Department. This recast budget, which was submitted to the Department on 26 July 2004, then became the approved budget for which the Board was held accountable. The Board used its initial budget request as a financial plan until the Department provided the final approved budget.

The Board also indicated that it is providing timely monthly financial reports to the Department and is taking corrective measures where required in order to address approved funding levels.

2002 Recommendation

The Board should review its objectives in conjunction with the Department of Health and Community Services.

Action Taken

The Board indicated they met with the Department in September 2004 to review the objectives. The Department informed the Board that they would prepare a mandate and service agreement for the Eastern Residential Support Board and forward these documents to the Board for its review and comments, and subsequently formalize the agreement.

2002 Recommendation

The Board should improve controls over the management of petty cash and trust accounts.

Action Taken

The Board indicated that they had developed a new petty cash protocol, reviewed it with all supervisors and implemented the new protocol in the 15 units currently in operation. The new documentation provides for greater control over petty cash. An additional control and safeguard has been achieved through the setting up of 15 bank accounts for the periodic withdrawal of funds for unit cash expenditures. Separate bank cards have been obtained for each account with passwords required. Each unit supervisor is responsible for the use of the card. The Board indicated this has removed the need to maintain full petty cash amounts at the units.

The Board also indicated that they have brought under its control resident accounts where trust accounts are required, and manages those trust accounts in accordance with normal trust account guidelines. Monthly reconciliations between the trust bank account and the individual trust accounts are now being completed.

2002 Recommendation

The Board should develop comprehensive guidelines for such areas as the selection of housing units and the determination of staffing requirements.

Action Taken

The Board indicated that guidelines have been established for both the selection of housing units and the determination of staffing requirements.

2002 Recommendation

The Board should review its financial reporting systems to determine whether these systems are producing the necessary information to manage Board operations.

Action Taken

The Board indicated that it had previously determined that the existing financial reporting system did not adequately meet the financial reporting requirements, and in early 2002 engaged the services of a financial and accounting consulting firm to review the Board's financial system. The Board now has its new ACCPAC accounting system in place. This system has provided improvements to their previous accounting system and meets the financial and accounting requirements of the Board.

2002 Recommendations

The Board should ensure that all rental units have current lease agreements.

Action Taken

The Board indicated that they did have lease agreements in place for most of its units. However, most of those leases had expired and the Board was maintaining the leases on an as needed month-to-month basis in accordance with the *Residential Tenancies Act*. In August 2003, one-year lease agreements were forwarded to landlords where month-to-month leases were previously in place. These agreements were for the period 1 September 2003 to 31 August 2004. The Board further indicated that it now ensures that leases are in place for all properties.

The Board has also indicated some general actions have taken place in response to specific comments included in our 2002 Report. A steering committee has been established to address increasing expenditures. A report has been prepared and forwarded to the Department of Health and Community Services and Health and Community Services, St. John's Region. Also, the Board contracted a consultant to perform the senior management role to address a significant number of operational issues. One responsibility was the development of a new organization chart with required approved administration positions. This has been accomplished and the new chart and positions have been approved by the Department and Treasury Board. These positions are being recruited. The Board also indicated that HST rebates have been claimed and received.

3.2.8 Residents' Trust Accounts (2002 Annual Report, Part 2.16)

Introduction

In 2002 our office performed a review of the residents' trust accounts held by five of the Province's Health Care Boards. In our 2002 report item, we recommended that the Department of Health and Community Services work with the boards of the various Provincial Health Care Institutions to ensure that adequate controls are in place to manage resident's trust accounts.

In its response to the 2002 report item, the Department indicated that it was aware of the difficulties experienced by the Boards with regard to trust accounts; however it did not have the resources to monitor the trust account activities of the Boards on an ongoing basis. The Department also indicated that it would follow up with the Boards to ensure identified deficiencies are addressed.

Update

In October 2004, we contacted the Department of Health and Community Services requesting an update as to the progress on the recommendations and comments included in our 2002 report. The Department indicated that since 2002 Boards have made progress in addressing the deficiencies identified by our Office. Annually the Department has contacted Boards to obtain an update on progress to date. The Department indicated that it will continue to monitor Board progress in the future.