
**Report on Sunshine Coast Association for
Community Living**

Ministry of Children and Family Development

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**Internal Audit & Advisory Services
Office of the Comptroller General
Ministry of Finance**

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Glossary

GMIP	Government Master Insurance Program
MCF	Ministry of Children and Family Development
the ministry	Ministry of Children and Family Development
SCACL	Sunshine Coast Association for Community Living

Executive Summary

We have completed our audit of the Sunshine Coast Association for Community Living. The purpose of this audit was to provide the Ministry of Children and Family Development with an assessment of the association's financial management practices and compliance with ministry contracts and to support the ministry and the agency in moving towards the development of a continuing service agreement.

Financial Management

We found opportunities for the Sunshine Coast Association for Community Living to strengthen its financial management practices and internal controls. By acting on these opportunities the association will be in a stronger position to manage business risks and resources, demonstrate performance, and reach accreditation. The establishment of someone with financial management expertise at the association, or increased access to financial management expertise, would assist the association in this regard.

We found the association's financial statements were not presented in a way that readily supported an assessment of financial viability. After making adjustments to bring the financial statements more into line with contract reform guidelines, we conclude that the association is financially viable and that its adjusted administrative expenses and accumulated surplus exceed the thresholds suggested in the contract reform guidelines.

We identified that \$18,000 of funding provided for wage increases was not required and should be repaid to the ministry.

Contract Compliance

We found the Sunshine Coast Association for Community Living to be substantially meeting the terms and conditions of ministry contracts, to the extent these terms and conditions were defined and measurable. Opportunities exist for these terms and conditions to be further defined, allowing:

- the association to more fully demonstrate the value of its services; and
- the ministry to more closely direct funding to areas of greatest need and to further manage contracting risks.

Ministry contract managers and the association have been working together to further define contract deliverables and desired outcomes for these purposes.

We would like to thank the management and staff of the Sunshine Coast Association for Community Living and the staff of the Ministry of Children and Family Development for their assistance and co-operation during the course of this audit.

David J. Fairbotham
Executive Director
Internal Audit & Advisory Services

February 6, 2002

Introduction

The Ministry of Children and Family Development (the ministry) contracts with the Sunshine Coast Association for Community Living (SCACL) to provide residential and vocational support services for individuals with developmental disabilities.

The association receives approximately \$1.2 million in annual funding, primarily from the Ministry of Children and Family Development.

Internal Audit & Advisory Services routinely performs audits of organizations that hold contracts with the ministry. Selection of this audit was based on the significant level of funding, and mutual desire from the association and regional ministry management to have a proactive review of existing contracts, and association operations.

Purpose

The purpose of this audit was to provide the ministry with an assessment of the Sunshine Coast Association for Community Living's financial management practices and compliance with ministry contracts, and to support the ministry and the agency in moving towards the development of a continuing service agreement.

Audit Scope and Objectives

The scope of this audit included an examination of:

The association's financial management practices and internal controls to determine whether:

- financial transactions, records, reports and budgets are complete, accurate and authorized;
- assets are adequately protected;
- operations are financially viable; and

- accumulated and operating surpluses or deficits are reasonable.

The association's compliance with ministry contracts to determine whether:

- those service levels which are clearly defined in measurable terms in the contracts have been provided; and
- financial and operating reports are being submitted consistent with contract requirements.

Our audit focussed primarily on current practices and the 2000/2001 fiscal year. For the purposes of identifying financial trends, we reviewed financial reporting for the 1998/1999 and 1999/2000 fiscal years.

At regional ministry management's request, we also identified opportunities for improving the ministry's contracting practices related to the Sunshine Coast Association for Community Living. These opportunities are included under Appendix 5 of this report.

Report Comments and Recommendations

1.0 Financial Results

Objective

To determine whether:

- operations are financially viable; and
- accumulated and operating surpluses or deficits are reasonable.

Conclusion

We found the association's financial statements were not presented in a way that readily supported an assessment of financial viability. After making adjustments to bring the financial statements more into line with contract reform guidelines, we conclude that the association is financially viable and that its adjusted administrative expenses and accumulated surplus exceed the thresholds suggested in the contract reform guidelines.

1.1 Financial Report Adjustments

We noted four adjustments that were necessary to make the financial statements more consistent with contract reform guidelines. The net effect of these adjustments is to increase the 2000/01 operating surplus from \$38,688 to \$84,688. Appendix 1 restates SCACL's financial statements for these adjustments.

Adjustment 1: Repayable CSSEA Wages

For 1999/00 and 2000/01 SCACL received \$74,000 for retroactive wage increments to be paid to employees under the Munroe settlement agreement. After paying employees the retroactive wages in 2000/01, a balance of approximately \$18,000 in funding remained at year-end. SCACL management has advised us that all employees have been paid in full and no amounts remain owing.

We believe the \$18,000 balance is repayable to the ministry and should not be recognised as revenue.

Adjustment 2: Severance Accrual

2000/01 program expenses included \$50,000 for a severance accrual.

We understand that SCACL set up this accrual to cover the possibility of paying out a full year's severance for a unionized employee in the event that such an employee was laid off and the ministry did not cover any resulting severance.

We found no evidence of severance being payable at the year-end and have reduced this charge to program expenses.

Adjustment 3: Building Improvements

2000/01 facility expenses included \$14,000 in capital improvements related to upgrades and alterations to house non-ambulatory clients.

The expenditures were treated as an operating expense rather than being capitalized, thereby understating the operating surplus.

Adjustment 4: Replacement (Restricted) Reserves

2000/01 replacement reserves do not separately distinguish between third party restrictions and internal restrictions placed by SCACL.

We identified that only \$14,384 of the \$74,384 reserve was restricted according to ministry definition, thereby overstating restricted reserves by \$60,000.

Other Potential Adjustments

Amortization

For 2000/01 and prior years SCACL did not amortize depreciable capital assets, thereby overstating operating surpluses.

Recommendation

(1) We recommend that the ministry recover the \$18,000 in unused wage increment funding.

(2) We recommend that the association consider the following accounting procedures for future years:

-
- **clearly distinguish externally restricted replacement reserves from internally restricted replacement reserves;**
 - **capitalize all building improvements above a specified dollar limit; and**
 - **amortize capital assets over their estimated useful life.**
-

Ministry Comments:

The repayable CSSEA funds have been adjusted (reduced to \$5,335 by FDSS) and recovered.

Agency Comments:

The proposed changes to accounting procedures have been completed with the assistance of the association's external accountants.

1.2 Financial Viability

After taking into account the adjustments discussed in 1.1, we conclude that the association is financially viable. The adjusted financial statements include the following indicators of financial viability:

- an operating surplus of \$84,000 (Appendix 1); and
- an accumulated surplus of \$481,000 (Appendix 1).

In addition, these adjustments indicate that the association has a strong cash position. The unadjusted financial statements show current assets and current liabilities being almost equal. As illustrated in the table below, however, when the adjustments are taken into account current assets exceed current liabilities by \$93,875 (ratio of 1.76:1).

Description	Current Assets	Current Liabilities
Per financial Statements	\$158,209	\$156,334
Adjustments:		
#1 Wage Increment Funding		\$18,000
#2 Severance Accrual		(\$50,000)
#4 Internally Restricted Replacement Reserves	\$60,000	
Adjusted Total	\$218,209	\$124,334

Program Results

The audited financial statements for 2000/01 indicated residential programs, as a whole, operated at close to breakeven, while the prevocational and vocational programs generated a surplus.

However, we noted that the program surplus and deficit figures per the audited financial statements did not allocate all common administrative costs on a consistent basis. Consistent allocation of common administrative costs would help ensure complete and accurate financial results for each program.

Methods of allocating common administrative costs include program FTE's, wages, and funding levels. We adjusted administration expenses to account for all common administrative costs on a consistent basis. The results are set out in Appendix 2. We then reallocated these common costs based on program FTEs to recalculate the surpluses and deficits of programs (Appendix 3).

The programs most affected by the recalculations are the Medusa and Rosecliffe residential programs. The reallocation of administration expenses reduces the surplus for Medusa and increases the deficit for Rosecliffe.

Recommendation

⁽³⁾ **We recommend that SCACL allocate common administrative costs to programs on a consistent and supported basis.**

Agency Comments:

The first draft of the association's budget has been completed consistent with this recommendation.

1.3 Comparison to Contract Reform Guidelines

Accumulated Surplus

Contract Reform recommends that non-profit organizations be allowed to accumulate surplus funds as an operating reserve of up to 5% of their provincial social service contracts to ensure continuity and to provide for unexpected or contingent liabilities.

Per SCACL's financial statements, the operating reserve of \$8,078 was less than 1% of provincial social services funding. After making adjustments to conform to contract reform guidelines, we calculated an operating reserve of \$100,078, representing 8.0% of social service contract funding, versus the 5% threshold of contract reform, for a \$36,000 overage (Appendix 1).

Administration Expenses

We also used the contract reform guidelines as a benchmark to assess the reasonableness of the association's administration expenses charged to ministry programs.

Per SCACL's financial statements, administration expenses as a percentage of program expenses were 10.6%, versus the contract reform guideline threshold of 10.0% (Appendix 1).

We noted that administrative expenses were understated relative to program expenses as a result of both the executive director and human resource manager salaries and benefits being almost fully charged to program expenses (87.5% and 100%, respectively). We understand this was done in the absence of there being any program supervisor positions. However, we believe that at a minimum, it was only appropriate to charge 50 percent of these head office salary and benefits as program expenses.

These positions have been adjusted for in Appendix 2. After making the adjustments, the administrative expenses are 18.0% of program expenses (Appendix 1).

1.4 Unearned Respite Revenue

SCACL received an initial respite developmental payment for approximately \$60,000 several years ago. Only \$40,000 of the original funding was used. The balance has been carried forward and comprises part of the association's operating surplus.

In subsequent years, SCACL has received regular payments for respite, which have been fully utilized. The ministry needs to determine whether the carried forward balance constitutes unearned revenue.

Recommendation

⁽⁴⁾ We recommend that the ministry determine whether the \$20,000 balance of carried forward respite funding should be offset against future respite funding.

Ministry Comments:

Discussions are taking place with SCACL around the application of the surplus in light of current service demands.

2.0 Financial Transactions, Records, Reports and Budgets

Objective

To determine whether:

- **financial transactions, records, reports and budgets are complete, accurate and authorized; and**
- **assets are adequately protected.**

Conclusion

Overall we found that the association's transactions were complete, accurate, and authorized. We noted opportunities to strengthen internal controls in the following areas:

- **independent review of transactions and reconciliations;**
- **budget approval;**
- **completeness of reporting of supplementary activities; and**
- **protection of assets.**

2.1 Independent Review

Smaller agencies, such as SCACL, often do not have sufficient staffing to separate incompatible duties in key financial functions such as payroll preparation and bank reconciliations. As a result, there is increased risk of errors going undetected. A compensating control is increased independent review at the management or board of director level.

Payroll

We noted that timesheets did not undergo any independent review to ensure the completeness and accuracy of payroll costs.

We believe that an independent review of timesheets is a critical control, given that payroll accounts for approximately 90% of all SCACL expenditures.

Bank Reconciliation

Payments were controlled by the use of dual cheque signatures to help detect significant errors or misuse. However, the financial clerk's reconciliation of bank statements to accounting records did not receive any independent review.

We believe that such a review would provide added assurance that any significant payment errors or irregularities are identified and addressed on a timely basis.

Recommendation

⁽⁵⁾ We recommend that SCACL implement an independent review of timesheets and bank reconciliations.

Agency Comments:

The association's external accountant's assistant is now performing an independent review of timesheets and bank reconciliations.

2.2 Budget approval

We noted SCACL had started developing an operating budget for fiscal 2001/02, but at the time of our audit had not yet completed it and submitted it to the board for approval. Approving the operating budget will assist the board in:

- directing the allocation of scarce resources;

- measuring actual financial results against targeted performance; and
- detecting significant reporting errors.

Recommendation

⁽⁶⁾ We recommend that SCACL complete the fiscal 2001/02 operating budget and submit it to the board for approval.

⁽⁷⁾ We further recommend that all future operating budgets receive board approval prior to the start of each fiscal year.

Agency Comments:

The first draft of the fiscal 2001/02 operating budget has been completed.

We intend to ensure that all future operating budgets receive board approval prior to the start of each fiscal year.

2.3 Completeness of Reporting of Supplementary Activities

We noted SCACL's financial statements excluded approximately \$30,000 in revenues and related expenditures for the Bottle Me Program and residence food funds.

While these revenues and expenditures net out and have minimal effect on the operating surplus, including such activities in the financial statements would provide readers with a more complete picture of the association's operations. Revenue and expense transactions not reported have a greater risk of improper usage.

Trust Funds

Client bank accounts under the full or partial control of SCACL employees are not monitored or reported to management, nor noted in SCACL's financial statements as trust funds.

Although the dollar value of such funds can be small, they do constitute assets under the control of SCACL and any misuse by SCACL employees could have a significant impact on stakeholder confidence in the association.

Given the risks involved, we believe these types of trust funds require greater management attention and inclusion in SCACL's financial statements. Adding this information would provide full disclosure and support ongoing monitoring by association management and board members.

Recommendation

⁽⁸⁾ We recommend that SCACL's financial statements include all of the agency's activities and funds administered.

Agency Comments:

Compliance with this recommendation has now been achieved.

2.4 Protection of Assets

SCACL has taken a number of important steps to protect its assets. We believe additional steps could be taken including:

- keeping backup copies of financial data in a secure offsite location;
- password protecting information systems;
- restricting access to areas where negotiable instruments and important business records are maintained; and
- periodically inventorying equipment and permanently marking high-theft assets as property of the association.

Recommendation

⁽⁹⁾ We recommend that SCACL review its procedures for protecting its assets and consider additional procedures as suggested above.

Appendix 4 includes additional suggestions for improving financial management practices and internal controls at SCACL.

Agency Comments:

A review of procedures is currently in process.

3.0 Contract Compliance

Objective

To examine the association's compliance with ministry contracts to determine whether:

- those service levels which are clearly defined in measurable terms in the contracts have been provided; and
- financial and operating reports were submitted consistent with contract requirements.

Conclusion

SCACL is substantially meeting the terms and conditions of the ministry contracts to the extent these are defined and measurable.

However, for the most part, the contract deliverables are broadly defined and difficult to measure.

Monthly and quarterly operational reports were received by the region as required. However, financial reporting to the region was late in some cases.

Service Deliverables and Standards

The main deliverable for the residential program contracts was defined in terms of providing residential services up to a specified maximum number of clients per household. We visited two of the three residences and verified that they had the capacity to meet the specified limits and were operating at those limits. According to SCACL records, the third residence was also operating at contracted capacity.

For the vocational programs we were able to verify that minimum staffing hours were met and that several clients were attending a vocational program when we visited a SCACL facility.

In terms of service standards we determined that:

- no copies of the Service Standards for the Mentally Handicapped were on hand at SCACL's head office, nor other locations visited. SCACL quickly acted on obtaining the Service Standards for the Mentally Handicapped when we brought the issue to the association's attention;

- defined fire safety standards were met for the two residences visited;
- licensing under the *Community Care Facility Act* was met as required; and
- SCACL program staff had criminal record checks performed with no exceptions noted.

We observed that SCACL undertook many activities not specifically referred to in the Ministry contracts. Where such activities contribute toward desired Ministry objectives, they should be incorporated into the contract deliverables and operational reporting.

Some of these activities included:

- re-implementation of a community newsletter;
- helping clients produce and sell a music CD;
- hiring adults with disabilities at the agency itself; and
- partnering with other agencies – such as the School District and Health Authority to co-ordinate services and share resources.

We noted that ministry contract managers and the association have been working together to further define contract deliverables and desired outcomes for 2001/2002.

Reporting

We determined that monthly and quarterly operational reports were received by the region as required. In terms of financial reporting, SCACL was only required to provide high-level 3rd quarter financial statements and 4th quarter forecasts to the ministry but was several months late in providing the reports for some contracts.

Appendix 5 includes our suggestions for continuing agreement and component schedule amendments to assist the agency in demonstrating its accountability to the ministry.

Appendix 1 – Statement of Operating and Accumulated Surplus

Sunshine Coast Association for Community Living for the Year Ended March 31, 2001

	Audited Financial Statements	Suggested Adjustments	Adjusted Financial Statements
	\$	\$	\$
Operating and Accumulated Surplus			
Provincial Social Services Funding (Line A)	1,290,475	(18,000) ⁽¹⁾	1,272,475
Other Revenue	<u>75,834</u>	<u> </u>	<u>75,834</u>
	<u>1,366,309</u>	<u>(18,000)</u>	<u>1,348,309</u>
		(50,000) ⁽²⁾	
Program Expenses	1,118,184 <i>100.0%</i>	(62,492) ⁽⁵⁾	1,005,692 <i>100.0%</i>
Facility Expenses	90,573 <i>8.1%</i>	(14,000) ⁽³⁾	76,573 <i>7.6%</i>
Administration Expenses	<u>118,864</u> 10.6%	<u>62,492</u> ⁽⁵⁾	<u>181,356</u> 18.0%
	<u>1,327,621</u>		<u>1,263,621</u>
Operating Surplus	<u>38,688</u>		<u>84,688</u>
Accumulated Surplus, beginning of year	396,711		396,711
Accumulated Surplus, end of year	<u>435,399</u>		<u>481,399</u>
Breakdown of Accumulated Surplus			
Restricted Reserves	74,384	(60,000) ⁽⁴⁾	14,384
Capital Assets - Long term Debt	352,937	14,000 ⁽³⁾	366,937
Operating Reserve	<u>8,078</u>	<u>92,000</u> ⁽²⁾⁽⁴⁾⁽¹⁾	<u>100,078</u>
Accumulated Surplus	<u>435,399</u>		<u>481,399</u>
Contract Reform Limits for Operating Reserve			
Operating Reserve	8,078 0.63% of Line A		100,078 7.86% of Line A
Contract Reform Threshold	<u>64,524</u> 5.00%		<u>63,624</u> 5.00%
Over or (Under) Contract Reform Limit	<u>(56,446)</u>		<u>36,454</u>
Notes			
(1) Reversal of wage increment funding repayable to the ministry.			
(2) Reversal of severance accrual where no liability exists per GAAP.			
(3) Reversal of building improvements 100% expensed where should be capitalised per GAAP.			
(4) Reclassification of reserves not restricted by a third party - only \$14,384 restricted by a third party with remaining balance as an internal reserve.			
(5) Reclassification between administration and program expenditures for contract reform purposes - see Appendix 2 for details.			

Appendix 2 – Reclassification of Administration

Sunshine Coast Association for Community Living for the Year
Ended March 31, 2001

	Per Audited Financial Statements	Reclassification according to contract reform guidelines
Administration Expenditures		
Audit, bookkeeping and legal	1,916	8,397
Conferences and professional development	2,059	2,059
Equipment and furniture maintenance	2,212	2,212
Insurance	101	2,063
Memberships, dues and fees	2,448	2,448
Mileage and travel	1,065	1,065
Office general	1,380	8,070
Program costs	2,777	2,777
Replacement reserve	2,021	2,021
Shelter costs	202	nil
Utilities and telephone	1,149	1,149
Wages and benefits	101,534	149,095 ⁽¹⁾
Total	<u>118,864</u>	<u>181,356</u>

Note
(1) Administration Wages and Benefits have been restated to include 50% of Executive Director and Human Resources Manager's salary and benefits, versus the 6% per SCACL financial statements.

Appendix 3 – Restatement of Program Surpluses (Deficits) Based on a Reallocation of Administration Costs between Programs
 Sunshine Coast Association for Community Living for the Year Ended March 31, 2001

	Surplus/ (deficit) by program per Financial Statements	Original Administration transferred to Programs	Administration costs in Program Area	Restated Administration based on Appendix 2 and Allocated according to FTE's	Surplus/ (deficit) by program
	A	B	C	D	A+B+C-D
Residences					
Medusa	36,653	22,278	8,232	(45,339)	21,824
Independent Living	20,213	5,766	7,942	(12,695)	21,226
Turnstone	1,743	19,648	8,665	(36,271)	(6,215)
Rosecliffe	(56,460)	12,657	9,252	(34,458)	(69,009)
	2,149	60,349	34,091	(128,763)	(32,174)
Pre-vocation and vocational					
Supported Work	53,812	10,419	8,668	(23,576)	49,323
Life skills	10,890	3,230	7,613	(7,254)	14,479
Day Program	(968)	11,378	8,725	(21,763)	(2,628)
	63,734	25,027	25,006	(52,593)	61,174
Other Programs	(3,503)		3,395		(108)
Unallocated Administration	(33,488)	33,488			-
Misc. Income included with Administration	9,796				9,796
Total	38,688	118,864	62,492	(181,356)	38,688

Notes

- (1) Allocation is based on "historical" funding levels which have since changed and which result in a significant amount of unallocated administration cost.
- (2) Suggested allocation is based on program FTE's to reflect relative program sizes and demands on administration.
- (3) Suggested restatement does not include any adjustment of the overall surplus position of the agency. See Appendix 1 for suggested restatements of the operating and accumulated surplus.

Appendix 4 – Suggestions for Improving Financial Management Practices and Internal Controls at the Sunshine Coast Association for Community Living

Prepared for: The management and directors of the Sunshine Coast Association for Community Living.

FINANCIAL TRANSACTIONS, RECORDS, REPORTS AND BUDGETS

Financial Management Expertise

Develop financial management expertise within the association to help strengthen and streamline financial management practices and internal controls and reduce external audit costs.

Contract with experts, where necessary and cost effective, to develop financial management systems, policies and procedures.

Scope of Financial Reporting and Budgetary Control

Include all areas of financial responsibility under the financial statements and budgets (Bottle Me Program, residence food funds)

Ensure the board:

- formally approves the budget as soon as possible and preferably before the start of each fiscal year;
- receives interim financial statements comparing actual results to the approved budget, prorated by reporting period (monthly or quarterly); and
- seeks explanations for any significant variances from budget.

Revenue Management

Record funding received in advance of service as deferred revenue, reversing the deferral as the services are rendered.

Notify the ministry where deferred revenue from ministry sources exists at year-end and act on ministry instructions.

Record the value of significant donated assets, or the donated use of assets, as revenue.

Target other sources of funding (e.g. BC Gaming Commission, Health Authority funding for Rosecliffe residence).

Expenditure Control

For payroll transactions, ensure:

- timesheets are reviewed and approved by independent persons, as appropriate, to catch any errors;
- employee leave balances are tracked and periodically confirmed with staff, such as at year end, to ensure accurate payroll costs; and
- public accountant advice is sought and followed regarding food dollars supplied to staff at residences, given such funding may constitute a taxable benefit.

For banking procedures:

- prepare bank reconciliations for all bank accounts under the control of the association (Bottle Me Program, residence food funds, client trust funds);
- ensure bank reconciliations are independently reviewed;
- secure unused cheque stock with access limited to one or two key administrative persons, as practical;
- include a review for proper cheque signing authorities; and
- monitor and report on client trust fund arrangements and activity.

For significant investment decisions by the board, prepare a business case presenting:

- a range of different alternatives available;
- the relative costs and benefits of each alternative;
- independent assessments (inspections of buildings for purchase, risk and control reviews for electronic data services);
- financing alternatives, including leasing versus buying and competitor quotes for the alternative chosen; and

- clarification of rights, obligations and cancellation provisions where the product will not be owned outright by the association.

For administrative transactions:

- classify program and administration expenses according to contract reform guidelines at least for the version of the financial statements provided to the ministry; and
- fully allocate common administrative costs to programs as administrative overhead using a method that reflects the relative size and administrative demands of each program.

Insurance Coverage

SCACL protects its assets by purchasing business continuity insurance, comprehensive general liability insurance and a high level of third party liability automobile insurance.

SCACL should consult with the ministry to determine the extent to which the Government Master Insurance Program (GMIP) applies to its contracts and cancel any insurance which duplicates this coverage.

Asset Management

The association has taken a number of important steps to protect its assets. We believe additional steps could be taken including:

- capitalize all donated assets and loaned assets above a specified dollar value;
- capitalize all building improvements above a specified dollar value;
- periodically inventory capitalized assets and adjust for any losses and insurance recoveries, or write-offs;
- keep financial system backup data in a secure offsite location;
- password protect computer systems (start-up and screensaver);
- permanently mark higher-value items as property of SCACL, particularly computers and audio-visual equipment; and
- lock unattended offices where negotiable instruments and confidential and essential records are maintained.

Appendix 5 – Considerations for Continuing Agreement and Component Schedules

Prepared for: The Coast/North Shore Contract Manager

1.0 General Considerations

Suggestions

Clearly define:

- the services to be provided and demonstrate how they support ministry goals and objectives;
- the standards for the delivery of services, including copies or summaries of the standards, where appropriate;
- who can refer clients under programs;
- measurable targets in terms of:
 - inputs (staff hours or FTEs by key activity, direct costs per client);
 - outputs (number of clients served by activity, client activity hours); and
 - short to long-term outcomes (client progress and achievements).
- reporting requirements, including reporting against targets and financial reporting standards and guidelines.

Measurable targets should be few but sufficient to evaluate performance.

2.0 Specific Considerations

2.1 Program Goals and Objectives

Suggestions

Incorporate the main objective of the Resource Management Strategy for Community Living Services of finding “*creative opportunities to maximize the use of the resources available to ensure adults with developmental disabilities receive the services they need*”.

Consider incorporating targets and incentives to the agency for meeting this objective. For example, allowing the agency to retain some or all of the cost-savings, subject to re-investing the savings in improved or expanded service to the clients.

2.2 Programs

2.2.1 Residential Programs

Suggestions

Specify:

- minimum daily hours of operation for ambulatory clients;
- minimum worker coverage levels during the day and night;
- client targets for:
 - activity levels, in conjunction with other programs;
 - sick days; and
 - independent living skills, as appropriate on a case by case basis.
- safety requirements particularly for those residents not covered by the *Community Care Facility Act*. Examples could include exit signs, smoke alarms, sprinkler systems, etc.

In the case of SCACL, the overhead sprinkler investment might allow the Rosecliffe residence to become licensed under the Community Care Facility Act, thereby allowing a third resident to be placed there in a currently unoccupied bedroom.

2.2.2 Supported Work Program

Suggestions

Establish targets for monitoring the supported work program. Examples include client hours, as appropriate, for:

- volunteer work;

- job shadowing;
- job-related education;
- job searches; and
- secured employment.

2.2.3 Day Program

Suggestions

Require attendance reporting under this program, broken down between adult and minor clients.

Encourage the association to partner with the school board (e.g. funding or other assistance for minors attending the program).

2.3 Financial Management

2.3.1 Fees

Suggestion

Consider allocating funding into fixed and variable components to encourage the association to operate at full capacity.

2.3.2 Financial Decision-making and Reporting

Suggestions

Require that the association provide the ministry with:

- audited annual financial statements supplemented with schedules showing the operating results of each program prepared in accordance with contract reform guidelines;
- interim financial statements upon request; and
- annual operating and capital plans and budgets approved by the association's board, separately identifying MCF versus non-MCF funding sources.

Based on our experience, areas of contract reform and ministry policy to pay particular emphasis to in contract wording include:

- *expense classification (program, facility, and administration, particularly regarding management staff salaries and benefits);*
- *administration and rental fees charged by related parties;*
- *asset capitalization and depreciation (treatment of donated assets, dollar thresholds for capitalizing, depreciation of assets, and capital replacement reserves);*
- *methods of allocating common or shared costs fairly between programs, particularly between ministry funded programs versus other funded programs;*
- *establishment of reserves (unrestricted versus restricted); and*
- *transfers, particularly to programs not funded by the ministry or to related parties.*

2.3.3 Insurance and Indemnity

Suggestions

Specify whether or not GMIP applies and what coverage it offers.

Include automobile insurance coverage requirements in all contracts (not just residential contracts) where clients may be transported. Specify, for both agency vehicles and any staff vehicles used on agency business:

- insurance usage (e.g. business use vs. personal); and
- third party liability requirements.