

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

STANDING COMMITTEE ON PUBLIC ACCOUNTS

ONTARIO'S ELECTRONIC HEALTH RECORDS INITIATIVE

(Special Report of the Auditor General of Ontario, October 2009)

2nd Session, 39th Parliament
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The Honourable Steve Peters, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commend it to the House.

A handwritten signature in black ink that reads "Norm. Stuf".

Norman W. Sterling, MPP
Chair

Queen's Park
November 2010

STANDING COMMITTEE ON PUBLIC ACCOUNTS

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2nd Session, 39th Parliament

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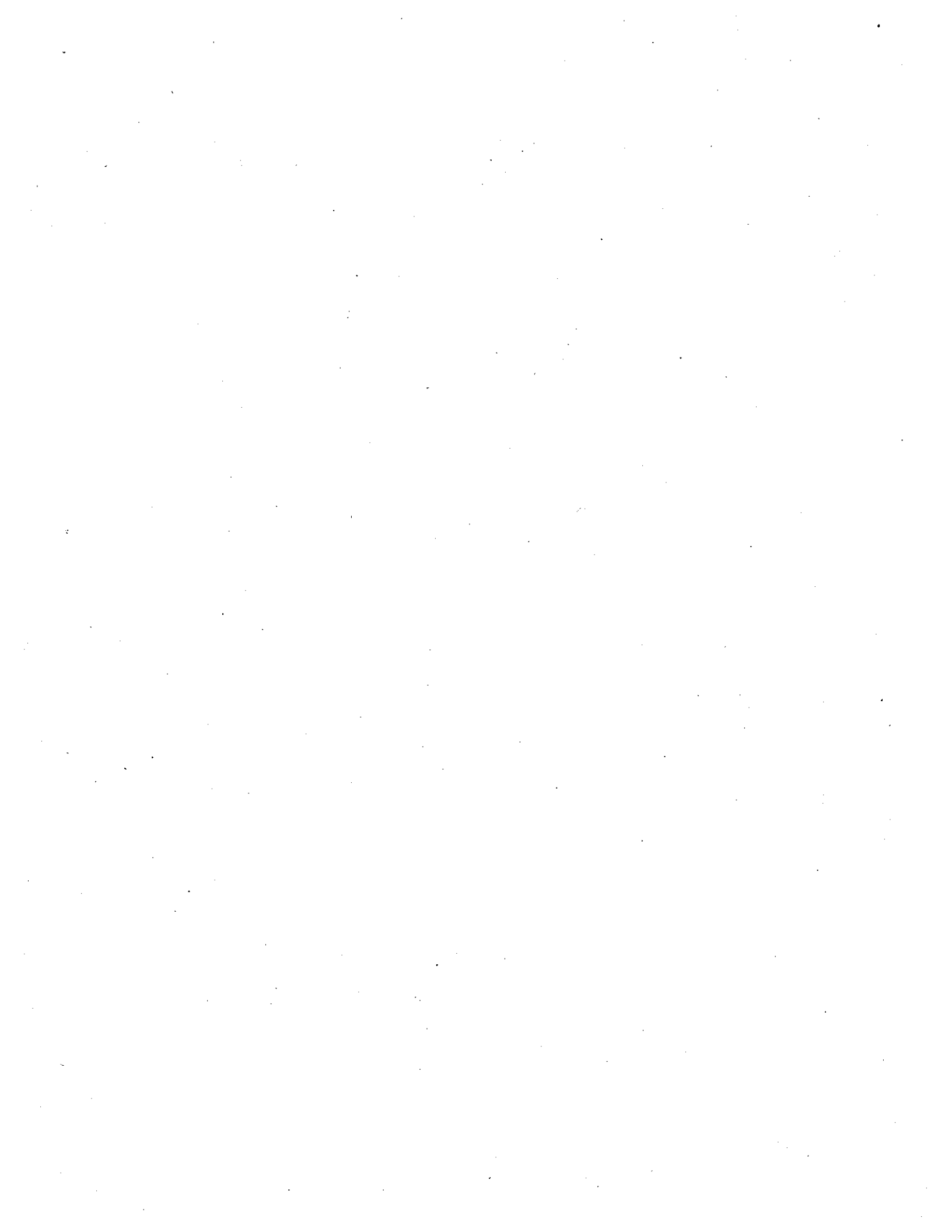
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STANDING COMMITTEE ON PUBLIC ACCOUNTS
LIST OF CHANGES TO COMMITTEE MEMBERSHIP

MARIA VAN BOMMEL was replaced by WAYNE ARTHURS on September 22, 2010.

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PREAMBLE

The Standing Committee on Public Accounts held public hearings on the Auditor General's (the Auditor's) report, *Ontario's Electronic Health Records Initiative—Special Report*, on October 21 and 28, and November 4, 2009. eHealth Ontario's Board of Directors and the new management team indicated that they "fully embrace the Auditor General's report and are in full agreement with the recommendations contained in the report." The Committee has considered the audit report and has endorsed the Auditor's findings and recommendations.

This report highlights the Auditor's observations and recommendations and presents the Committee's findings, views, and recommendations. The Committee requests that the Ministry of Health and Long-Term Care (the Ministry) and eHealth Ontario provide the Committee Clerk with a written response to its recommendations within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified in a recommendation.

Acknowledgements

The Committee would like to take this opportunity to thank the witnesses who appeared during the hearings from the Ministry and Health and Long-Term Care and eHealth Ontario, and the assistance provided by the Office of the Auditor General of Ontario.

OVERVIEW

The federal and provincial ministers of health agreed in 2000 to develop an Electronic Health Record system (EHR). The Ministry described EHR as "a secure and private lifetime record of an individual's health and care history, available electronically to authorized health providers." "In 2002, the Ministry received approval for the Smart Systems for Health Agency (SSHA) to build a secure IT infrastructure or network while the Ministry was to develop the programs or software that was to run on that network."

eHealth Ontario was created in 2008 with the merger of the SSHA and the Ministry's former eHealth Program Branch. The Ministry's objective in this merger was to initiate a "shift from paper-based record-keeping to fast, efficient and secure electronic sharing among authorized health providers while safeguarding the individual's privacy." According to the Ministry and eHealth Ontario, the "eHealth applications are vital tools that will support improved access to quality health care and health-care innovation and include public health surveillance systems, electronic medical records in physicians' offices, diagnostic medical imaging, and telemedicine services."

The Committee stressed the importance of transparency, accountability and value for money in eHealth's operations. eHealth's Board gave its assurance that they are an extremely important part of the Agency's strategy.

The province must fit into the pan-Canadian EHR model and within this framework eHealth Ontario developed its blueprint and architecture. eHealth Ontario's 2009-2012 strategy for development and delivery has been approved by the province, enabling the setting of standards (e.g., hospital discharge summary indicating a patient's status) to resolve the challenge of varying technologies and business processes at a variety of health care providers.

The Ministry noted that eHealth's problems were in part attributable to the decision to move quickly from a Ministry-operated program to an agency within a short time period—approximately four months. The actual transfer was staged to take place at a specific time to enable staff to consolidate and assume full responsibility for all operations, including project management. The transfer of Ministry projects was seen to create what was described by the Deputy Minister as a “management burden” for the Agency.

Audit Objective and Scope

The audit objective was “to assess whether the Ministry of Health and Long-Term Care and the new eHealth Ontario agency had adequate systems and procedures in place to help ensure that an Electronic Health Record (EHR) for Ontarians was being implemented in a cost-effective manner, and to assess progress in meeting the government's commitment to develop an EHR.” The initial audit focus was on the progress of this initiative, taking into account the \$1 billion expenditure over seven years.

Certain applications, for example Telemedicine, have been developed, but the Auditor concluded in 2009 that Ontario does not have an eHealth system that meets the needs of health care practitioners or the public. He noted that about \$800 million of the total \$1 billion that has been invested in the EHR initiative was incurred by the SSHA, primarily in building and operating a private IT network and connecting the medical community. It was noted in the Auditor's 2009 report that the province has spent more than \$1 billion since 2002 on EHR-related activities, with SSHA accounting for about \$800 million of these expenditures.

Corrective Measures (Initial Commitments in 2009)

The Auditor focused on “the most important steps that eHealth Ontario and the Ministry must take if they are to meet their goal of having a fully functional EHR for all Ontarians in place by 2015.” His report made recommendations in four key areas:

- strategic planning;
- adequate oversight;
- technological expertise; and
- management of consultants.

All of the recommendations were identified as corrective measures necessary to achieve an effective provincial EHR system.

In 2009 the Ministry and eHealth Ontario introduced new policies and procedures to address the Auditor's recommendations, as follows:

eHealth Ontario's Operational Improvements

- New policies on procurement and delegation of authority have been approved.
- The procurement function has been strengthened—all areas must now develop plans identifying anticipated annual procurements, and quarterly procurement reports will be provided to the Board.
- Fee-for-service consultants will be eliminated in all areas other than program development and implementation, with the number of consultants being reduced from more than 330 to less than 170 by the end of the current fiscal year [2009/10].
- An eHealth Privacy Strategy with targets for the 2009/10 fiscal year has been developed.
- A network service cost-reduction strategy has been put in place, with savings of \$1.2 million annually secured through negotiations with one of the Agency's major network service providers.

Improvements to Procurement Controls

- A new eHealth Ontario Procurement Directive (July 2009) requires a competitive procurement process for all consulting services.
- A new Travel and Expenses Directive (September 2009) ensures that eHealth Ontario expense claims are completed properly and enhance transparency (posting on-line for certain staff effective April 2010).
- The Ministry has created a Financial Management Branch to oversee its workforce, including consultants, and to centralize all transfer payments.
- The Ministry recently restructured its Supply and Financial Services Branch to enhance oversight capacity for all procurement within the Ministry and to centralize its procurement process.
- An annual business plan that aligns with the eHealth Ontario Strategic Plan will be developed.
- The Ministry has initiated discussions to improve the government-wide accounting system to facilitate enhanced oversight of contract and payment processes.

The Auditor considered these initial commitments in preparing the audit report and concluded that the operational and procurement initiatives undertaken in 2009 were good first steps in addressing many of the audit issues. eHealth Ontario's Board assured the Committee that management had taken the corrective steps to

ensure that the practices identified by the Auditor would not be repeated by the new Agency.

The Committee's recommendations in this report reinforce the importance of follow through over the long term by complying with management guidelines and reporting commitments, demonstrating adherence to the principles of accountability and transparency, and achieving value for money.

Committee Recommendations

The *Special Report* is not part of the Auditor's *Annual Report* and therefore would not be included in a subsequent follow-up review and reported in the *Annual Report* two years from now. In light of this, the Committee would like an update on the operational and procurement measures being undertaken.

The Standing Committee on Public Accounts recommends that:

- 1. The Ministry of Health and Long-Term Care and eHealth Ontario provide a status report to the Standing Committee on Public Accounts on the progress made since the audit report to address operational problems and to improve procurement controls.**
- 2. The Deputy Minister of Health and Long-Term Care and the CEO of eHealth Ontario report to the Standing Committee on Public Accounts on the oversight and governance measures they now have in place to provide adequate assurance that the operational and procurement issues raised by the Auditor will not happen again.**

STRATEGIC PLANNING

EHR Comprehensive Strategic Plan

The Auditor recommended that the eHealth Ontario agency should develop a comprehensive strategic plan that specifically addresses the EHR's objectives for 2012 and an implementation plan with a 2015 target date. The plan should also ensure that the disparate EHR applications are appropriately integrated and that suitable privacy controls are built into the development process.

eHealth's strategic plan was not finalized and approved until 2009. The Ministry's initial response at that time indicated that the government would develop an EHR by 2015, comprised of building a technology infrastructure; developing clinical applications; and creating the EHR itself and its supporting technology. eHealth Ontario completed its business plan addressing Ontario's eHealth Strategy 2009--2012 with a longer term planning objective beyond 2012. This next stage will provide a road map with deliverables, risks, timelines, privacy measures, and the integration of the various applications.

Public Hearings

Business Plan and Benchmarks/Deliverables

The approved strategic plan entailed the consolidation of the software development with network operations. By March 2009 eHealth Ontario had developed a detailed implementation plan with benchmarks and time frames. During the hearings, the completed business plan framework was outlined as follows:

[It] integrates the various initiatives underway at eHealth Ontario in support of the strategy's three clinical priorities and underlying foundational activities. It recalibrates deliverables in order to ensure that progress can be tracked and reported so as to assist the Agency in being accountable for the delivery of results and tangible outcomes. It identifies and eliminates areas of duplication within the organization so that resources are focused on delivering the strategy, maximizing the value achieved for the resources—both human and financial—that have been invested in the organization, and it establishes benchmarks against which the Board of Directors may monitor progress.

eHealth Ontario confirmed that the next step is to “develop a strategic plan that goes beyond 2012, in conjunction with the Ministry of Health and Long-Term Care and in consultation with stakeholders.” The Agency’s challenge will be to critically monitor project timelines based on reasonable expectations, but not so aggressively as to cut corners and waste resources.

Committee Recommendation

The Committee concluded that the completion of the EHR strategic plan is a priority. It is necessary to define specific user needs and the means to achieve accountability, for example, system cost components, and in meeting delivery timelines.

The Standing Committee on Public Accounts recommends that:

3. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the status of the EHR Strategic Plan. The report should address the creation of technological infrastructure, and the development of clinical applications to meet the needs of health care providers and clients.

OVERSIGHT—SSHA AND EHR

The Auditor concluded that oversight of the EHR initiative was ineffective in part because of the unproductive relationship between the SSHA and the Ministry's eHealth Program Branch. The SSHA and Ministry arrangement was dysfunctional, according to the Auditor, lacking a cohesive, co-operative and co-ordinated working relationship. The SSHA delivered a secure electronic network; however, the system had operational problems and cost-efficiency issues:

Governance was a significant issue at eHealth Ontario and oversight of the eHealth agenda was inadequate. The Auditor concluded that SSHA's arm's-length Crown agency status and the absence of defined deliverables within a strategic plan presented problems. In addition, effective monitoring mechanisms for the Agency were not developed and in this environment the management team bypassed standard procurement practices contributing to serious governance issues.

Progress on EHR projects had been slow, for example, building the EHR network and connecting the health-care community. Other projects were placed on hold pending the clarification of scope and direction. These problems were compounded with changes in governance and leadership; consequently EHR projects did not meet their objectives consistently. For example, expenditures and deliverables were tracked separately and therefore management could not oversee projects effectively on a cost-effective basis.

The Auditor recommended that to ensure that governance arrangements for the eHealth Ontario agency allow the government and the agency's Board of Directors to exercise informed oversight while allowing management the day-to-day operational autonomy needed to fulfill the agency's mandate, the following three accountability mechanisms should be implemented:

- eHealth Ontario's Board of Directors should clearly specify the performance, operational, and financial information they need to obtain regularly from agency senior management to enable them to meet their oversight responsibilities.
- Specific targeted goals or benchmarks for the agency, including timelines and estimated costs, should be established and regularly reviewed to enhance the oversight of agency operations by the agency's board and the Minister of Health and Long-Term Care.
- Progress towards these targeted goals—along with details of major issues, risks, and explanations for variances—should be succinctly communicated in writing to, and discussed in periodic briefings with, the agency's board and the Minister of Health and Long-Term Care.

The Ministry's 2009 response noted that initiatives had been taken to enhance oversight.

- The Ministry and eHealth Ontario signed a Memorandum of Understanding (MOU) and a Transfer Payment Accountability Agreement in 2009 providing for accountability and reporting frameworks.
- An eHealth Liaison Branch was established within the Ministry to formally oversee eHealth Ontario (e.g., procurement policies and compliance monitoring).

The audit report noted that EHR projects did not meet expectations on a consistent basis. Expenditures and deliverables were not tracked together and reliable data was not available to enable management to provide knowledgeable oversight. As noted, eHealth's Board approved a Balanced Scorecard Framework providing for quarterly status reports. The objective of the "scorecard" report is to monitor and document performance on deliverables based on financial targets, project timelines, and outcome measures. The risk-management policy is to ensure that risks obstructing the achievement of goals are addressed.

Public Hearings

Governance and Oversight

Ineffective governance was a primary concern, as noted in the audit report, and although there was an accountability framework in place, problems still occurred. As noted in 2009, the Ministry and eHealth Ontario signed an MOU and the Ministry met with the Agency's Board Chair and the CEO to explain the Conflict-of-Interest policy and the procurement policy for consulting services.

The Agency now provides quarterly reports on its financial position and progress on strategic planning to the Ministry and Management Board as well as an annual and special reports. Other accountability features include:

- **Annual Business Plan**—eHealth tables its annual business plan with the Ministry on its annual objectives, project costs, expected outcomes (included in Ministry reporting to Treasury Board in the annual budget);
- **MOU/Automatic Review Process**—in the event that the Agency's projects exceed a set level there is an automatic review triggered on the technical aspects of the project through the Ministry of Government Services; and
- **Gating Review Process**—a gating review process is applied to technology features of all large projects.

The Committee expressed concern about the Agency's ability to meet project targets, and defined deliverables. The Board explained that based on the MOU requirements and its Projects Committee, it was required to keep apprised of the status of major undertakings. Planned initiatives to assist the Board in reporting include:

- a balanced scorecard to monitor the progress of each initiative (e.g., budget, and project deliverables); and
- a value measure for each product on a quarterly basis that is shared with the Ministry (i.e., progress measures on timelines, with outcomes and financials).

The Ministry explained that the Agency's future success depends on organizational change following the merger. As discussed during the hearings, the Board's practices, processes and expectations, were being redesigned to improve accountability.

Committee Recommendations

The Committee noted that steps have been taken to address the oversight framework at eHealth Ontario through various measures including the MOU, the Transfer Payment Accountability Agreement (2009), Balanced Scorecard Framework, and reporting through the eHealth Liaison Branch. It is of paramount importance that the oversight achieved is accurately reported by the Agency's Board of Directors to MOHLTC.

The Standing Committee on Public Accounts recommends that:

4. The Ministry of Health and Long-Term-Care and eHealth Ontario report to the Standing Committee on Public Accounts on the implementation of the enhanced accountability initiatives, including the Balanced Scorecard Framework. The report should describe how effective the new reporting and other mechanisms are in enhancing Ministry oversight and in moving the project forward.

5. The Ministry of Health and Long-Term Care report publicly, on a quarterly basis, on the progress it is making in implementing its electronic health records (EHR) initiative.

Public Hearings

eHealth Ontario Gateway Policy

Initially, the Ministry's EHR program managed the relationship between the former Smart Systems for Health and eHealth Ontario. The Ministry provided funding and monitored outcomes. The joint transition team between the Ministry and eHealth Ontario provided general oversight; however, "the detailed methodology that they were using to procure resources" was not included in this oversight. The Ministry had discussed the "level of exemption they would be granted from the Management Board and Treasury Board guidelines" (e.g., Management Board guidelines for the gating of IT projects). IT projects proceed to the approval process through a number of committees and finally to Management Board and Treasury Board. The objective was to ensure that eHealth Ontario would meet Management Board directives for I & IT (Information and Information Technology) procurement and gating processes.

Policy Revisions (2010)

The eHealth Ontario Board approved a policy providing “a gating mechanism to ensure that large, complex technology projects meet specific project objectives as they move through the appropriate phases of the project life cycle.” Performance measures support the continuous improvement through monitoring and gating activities. The purpose of the revised eHealth Ontario Gateway Policy (Schedule C), dated April 2010, is to ensure a review

. . . . to reduce the risk of project under-performance by ensuring that I&IT projects do not proceed prematurely, that they are properly conceptualized, defined and planned, that adequate governance is in place and that necessary resources have been identified and acquired, and to ensure that projects serve a legitimate business or strategic need.

The review process includes six gates: feasibility, approval, definition, planning, implementation, and close-out.

Committee Recommendation

The Committee recognizes the importance of gating mechanisms as an effective oversight tool, addressing risk of project under-performance for large, complex technology projects. However, the effective policy implementation and management by eHealth Ontario is the determinant of success over the long term. eHealth Ontario began the implementation of the revised Gateway Policy in 2010.

The Standing Committee on Public Accounts recommends that:

6. The Ministry of Health and Long-Term Care and eHealth Ontario provide the Standing Committee on Public Accounts with a status report on the effectiveness to date of eHealth Ontario’s Gateway Policy (2010) for large, complex technology projects. The report should include, but not be limited, to the following:

- an overview of the implementation and administration of splitting IT projects into specific “gates” as an oversight mechanism; and
- an assessment of the impact of gating to date with a focus on the project objectives achieved (i.e., deliverables) at defined junctures in the life cycle of each project.

THE USE AND PROCUREMENT OF CONSULTANTS

With the creation of eHealth Ontario the Ministry focused on the transition process with a new MOU, the Transfer Payment Accountability Agreement, and the necessary policies and procedures. The transition of Ministry consultants and

resources to the Agency was a priority. As discussed, it entailed the definition of procurement and gating rules, and an accountability framework.

The audit report noted that consultant procurement decisions made at eHealth Ontario, the Ministry's eHealth Program Branch and SSHA, all too often lacked due diligence. Several areas were identified, for example, bypassing normal procurement controls, inadequate documentation, and decision-making by a few individuals without proper accountability controls.

Ministry and eHealth Consultants

The Auditor acknowledged the need for technical expertise for the EHR initiative but questioned the predominance of consultants. By 2008 the Ministry's eHealth Program Branch had in excess of 300 consultants on staff in various positions, including senior management. By contrast there were fewer than 30 full-time Ministry employees at the time.

Procurement Practices

The Auditor noted that the eHealth Board had advised him that it believed that consultants and vendors were procured in accordance with established policies. However, the audit report identified questionable procurement practices at eHealth Ontario that included:

- **Improper Procurement Procedures**—contracts awarded to consultants and vendors without proper competitive procurement procedures;
- **Sole-sourced Contracts and Favouritism**—two-thirds of the value of all eHealth Ontario contracts was sole-sourced, in some cases demonstrating favouritism (Note: eHealth Ontario's procurement policies permitted exceptions to competitive tendering under specified circumstances); and
- **Improper Contract Management**—improper contract management (e.g., not requesting a reimbursement upon contract termination).

In addition, there was evidence of questionable procurement practices at the Ministry's eHealth Program Branch, for example:

- **Conflict of Interest (Retaining a Consultant)**—a consultant in a key management position at the Ministry was involved in awarding contracts to the consulting firm with which he was associated.
- **Improper Proposal Evaluation/Hiring**—vendor proposals were not properly evaluated for all contracts, and approval without proper sign-off. For example, an individual made the sole decision on vendor selection without a proper competition.
- **Tendering Bypassed**—contracts were subdivided into multiple contracts of smaller amounts (dollar value), bypassing tendering requirements.

- **Contract Selection/Evaluation Unclear**—some Ministry requests-for-services proposals were incomplete and the Ministry selected vendors without proper documentation and a definition of deliverables. Furthermore, there was uncertainty as to the work performed.

The Auditor recommended that eHealth Ontario and the Ministry develop a project-resourcing plan that ensures that, over time, internal staff with an adequate depth of technological expertise are hired to oversee the completion of the EHR initiative. The plan should incorporate the following principles: requests for proposals for consulting services should include clear project deliverables with expected time frames for their completion so that all bidders have sufficient information to make informed proposals. Formal information technology life-cycle development processes should be in place, including processes for identifying project risks and developing strategies to effectively mitigate those risks. There should be oversight of consultant billings and the billings should be evaluated against project progress. Consultant contracts should also be structured such that significant payments are contingent on satisfactory delivery and that consultants share the risk if commitments regarding deliverables are not met.

In 2009 the Ministry acknowledged that improved controllership and accountability are central to proper financial management and expenditure control. Consequently policy and procedural changes have been implemented to enhance accountability through the following initiatives:

- **eHealth Activities Consolidated**—eHealth-related initiatives across the Ministry were consolidated under a single assistant deputy minister in 2007;
- **eHealth Liaison Branch**—the Ministry created an eHealth Liaison Branch to provide ongoing oversight of eHealth initiatives staffed by OPS employees;
- **Reduced Dependence on Consultants**—eHealth Ontario is reducing its reliance on consultants through a fee-for-service conversion process and a recruitment drive; and
- **Improved Procurement Practices**—created the Ministry’s Financial Management Branch (providing oversight of consulting services), restructured the Supply and Financial Services Branch (enhancing the oversight capacity for Ministry procurement), and introduced mandatory procurement training for management staff.

eHealth Ontario’s 2009 response indicated that the Agency had taken steps to enhance accountability.

- **Project Resourcing**—the eHealth Ontario Board annual business plan provides a basis for project resourcing.
- **Workforce Re-balancing**—the workforce was examined and fee-for-service consultants’ positions were targeted for conversion to full-time employment status. According to eHealth, the “re-balancing of the workforce will provide eHealth Ontario with the appropriate depth of expertise in its workforce and

ensure continuity of knowledge transfer in a complex technology environment.”

- **Performance and Defined Results**—eHealth’s Board approved procurement policies to improve consultant performance and evaluation of their work. This is documented in contracts and financial controls have been introduced to ensure that payments are based on performance and the defined results as set out in the contract, in compliance with eHealth Ontario’s procurement policies.
- **Gating Mechanism**—the Board approved the I & IT Gateway Policy providing “a gating mechanism to ensure large, complex technology projects meet specific project objectives as they move through the appropriate phases of the project life cycle.”

Public Hearings

Procurement practices at the Ministry’s former eHealth Program Branch, SSHA, and eHealth Ontario were a major focus for the Committee. The Auditor concluded that while the rules were generally adequate, they were not being complied with.

Consultants’ Role

The Ministry explained the need for consultants on a time-limited basis only, and noted that this was not sustainable into the longer term operational phase. eHealth Ontario explained the enormity of the challenge to implement an EHR system, in part because of the differing management systems and numerous players. For example, in the Toronto Central LHIN there are approximately 26 hospital corporations with significant investments in eHealth and internal systems. To further complicate this conversion, urban and rural Ontario data and technology differ, and businesses processes are not consistent within the various business models. The complicated software required specialized expertise. The Auditor acknowledged some consultative expertise was clearly needed but was concerned with the extent of the reliance on consultants and how such expertise was acquired.

The Deputy Minister did not receive regular updates on the use of consultants; however, he was aware that they had been retained for specific projects. Specifically, the Deputy Minister advised the Committee that he did not receive detailed operational briefings on a routine basis, nor was he aware of some of the issues identified in the audit, for example, the management of the consultants. The staffing objective was to stabilize the workforce, addressing the dependency on consultants and creating a defined operating environment for long-term implementation. The Deputy Minister concluded that “there was a general awareness that we could not sustain this approach to the business in the long term. For me, the challenge was how to arrange the work in a more effective way that would not depend on consulting services.” By June 2009 the process of cancelling some of the consulting contracts had begun.

Former and New Procurement Directives

The Deputy Minister explained that as a self-sustaining agency, eHealth Ontario has a board and managers, and there was the expectation that it would conduct business as any other government agency. As noted, the Ministry had discussed the procurement policies, the Memorandum of Understanding and conflict-of-interest provisions with eHealth Ontario's management. The Deputy Minister noted that procurement policies were in place at the Agency to ensure that all suppliers could fairly compete for government business and that public funds would be used prudently.

The Ministry's Financial Management Branch was set up in 2007 with responsibility for the central management of procurement, ensuing compliance with rules and processes. Problems developed at the Agency due to ineffective oversight and non compliance with the procurement rules. eHealth Ontario had not discussed its procurement process with the Ministry; however, MOHLTC acknowledged that it should have been more aware of the Agency's procurement activities. The eHealth Ontario Board agreed that inappropriate procurement practices had occurred. According to the Chair, the procurement history was subsequently reviewed internally and she was "satisfied that a lot of the issues that we identified were covered in the Auditor's report."

Procurement Shortcomings and Response

The Committee enquired about the problems encountered in the procurement process. According to the Deputy Minister, the Auditor's conclusions were accurate, for example, consultants approving the work of other consultants and not going to public tender for certain projects. In another case, the Committee noted that the scrutiny for contracts over \$300,000 was substantially more than those under \$300,000 and that a significant number of contracts were in the \$297,000 or \$285,000 range. The Committee expressed concern about projects being divided into components to achieve a lower unit per project cost. According to eHealth Ontario, this was permitted under the former procurement rules.

Sole-Sourcing and Vendor of Record Options

The Deputy Minister noted that "at no time was a contract let without review and approval by Ministry staff." Under the sole-source approach, the Ministry had documented its rationale in accordance with established guidelines set out in the "corporate rules around procurement practice."

The Vendor of Record (VOR) option is based on prior approval so contracts are not considered to be untendered. The Ministry indicated that it was complying with the procurement rules within the former VOR process, and that contracts were competitively procured through a Request for Service (RFS) under the former procurement rules. The rules require that several vendors are invited to submit proposals to ensure a transparent process. Subsequently, changes were introduced to improve the management of the procurement process, for example, the definition of a project, and the basis for using the VOR process or public requests for proposals.

New Procurement Directive—Consulting Services (2009)

In July 2009 the province released a new directive on consulting services to increase transparency and accountability, thereby ensuring a competitive procurement process for these services. The new rules now apply to all Ontario ministries and agencies, including e-Health Ontario. The key features are as follows:

- all new Ontario government consulting contracts must follow a competitive hiring process, regardless of dollar value;
- consultants will no longer be entitled to bill for hospitality, food expenses or incidental costs; and
- management, information technology, technical services, research and development, policy development and communications consultants are covered by the new rules.

eHealth Ontario explained the new procurement process using the VOR approach for consultants.

... we take the prequalified [VOR] list that was secured competitively, we send what we call an RFS, request for service, out to a number of them [consultants] and ask them to submit their proposal, those proposals are evaluated and analyzed against a set of criteria and points are assigned. To watch the whole process, we bring in an independent fairness commissioner to make sure that we're not in any sort of unintended way biasing the outcome or that sort of thing. We rank the proposals based on those criteria, pick the firm with the most points and then get the independent fairness commissioner to write a report confirming that the process was fair, transparent and unbiased.

According to the Chair of the Board, eHealth Ontario is now operating under this strengthened procurement policy with an improved delegation of authority policy, enhanced controllership and organizational structure of the procurement function, and strengthened Finance Division scrutiny of all payments. The new approach reduces managers' discretion as defined by Management Board rules, policies and guidelines.

The Auditor noted that the new rules make it more difficult to repeat eHealth Ontario's procurement mistakes. For example, in the case of sole-sourcing, criteria must be applied and documentation maintained within the business case rationale. However, the Auditor reiterated that the problem was not that the procurement rules were inadequate, but rather that they were not being followed consistently and that oversight was deficient.

According to eHealth Ontario, its procurement process for consultants is providing better pricing and it is receiving the benefit of the competitive process for technical services. Furthermore, eHealth Ontario has started renegotiating long-term agreements for network maintenance with lower costs. According to the eHealth Ontario Board Chair, the Agency now has a better planning process for retaining consulting services.

Committee Recommendations

The 2009 Procurement Directive provides for a competitive procurement process with specific attention to consulting services. In addition, the Supply and Financial Services Branch was restructured to improve the oversight capacity of the Ministry's procurement, and was coupled with mandatory staff training on procurement.

The Committee is encouraged by the steps taken to enhance transparency and accountability through the new directive and related administrative improvements at eHealth Ontario, including the creation of the Ministry's Financial Management Branch to enhance the Ministry's ability to oversee eHealth Ontario.

The Standing Committee on Public Accounts recommends that:

7. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the following:

- **is the Ministry satisfied that it now has more effective oversight over eHealth Ontario's procurement practices;**
- **what processes does eHealth Ontario have in place to ensure the procurement problems of the past will not be repeated; and**
- **does the Ministry have any plans to extend its strengthened oversight practices over eHealth Ontario to other agencies funded by the Ministry?**

The Committee acknowledged the general trend toward increasing dependency on consultants across government and the challenge to provide effective management of these resources. At eHealth Ontario, steps have been taken to redress the dependency, as noted in this report. Furthermore, the Procurement Directive (2009) provides for Central Common Services to be provided by one ministry or agency across government, under the Establishment and Use of a Central Common Services Directive. Ministries are required to use Central Common Services that have been identified as mandatory.

The Committee noted that Appendix A of the Procurement Directive (2009) lists computer services as one of the mandatory central common services. The supplier ministry is Government Services (MGS) and the applicable division/branch is identified as the Office of the Corporate Chief Infrastructure Technology Services (OCCIO). (As of September 2010, the MGS' web site refers to the OCCIO as the

Office of the Corporate Chief Information and Information Technology Officer.) The OCCIO includes eight I & IT business clusters, among them health services.

The Standing Committee on Public Accounts recommends that:

8. The Ministry of Health and Long-Term Care report to the Standing Committee on Public Accounts on the type of relationship, if any, between the Office of the Corporate Chief Information and Information Technology Officer (OCCIO) and arm's-length agencies like eHealth Ontario. If OCCIO services are not currently available to these bodies, the Committee requests that consideration be given to extending access to these services.

Public Hearings

Rebalancing the Workforce (Permanent Staff and Consultants)

eHealth Ontario acknowledged the issue over the high ratio of consultants to permanent staff; however, it explained its rationale for relying on external expertise during the start-up phase. On completion of an IT project, the project moved to a maintenance phase that did not require a large number of consultants. The "reported increase" in consultants in 2008-09 was explained as a consolidation of consultants from across the Ministry into one program area and the Ministry's decision to focus on the development of the Diabetes Registry and the Drug Information System rather than an increase in the number of consultants.

In the second half of 2009, eHealth Ontario began the rebalancing of its workforce, acknowledging that it would have an ongoing but limited need for consultants in technical, legal and audit matters. Furthermore, to address the staffing imbalance, the Agency will need to transfer software expertise to permanent staff. Therefore, over the longer term, the staffing plan includes a reduction in consultants, and the movement to full-time personnel.

Ratio of Staff to Consultants

As noted, the Ministry's eHealth Program Branch was transferred to eHealth Ontario in April 2009. At that time the total workforce at the Agency was in the order of 950 including approximately 386 consultants. According to the auditee's 2009 response as reported by the Auditor, "fee-for-service consultants will be eliminated in all areas other than program development and implementation, with the number of consultants being reduced from more than 330 to less than 170 by the end of the current fiscal year [2009-2010]."

By September 30, 2009 the number of consultants had been reduced to approximately 286. During a two month period (approximately October 21, 2009 to year end) the Agency had planned to reduce the number of consultants to 234 (selected on a competitive basis). Therefore, at the end of the fiscal year (2009-2010) there would have been 160 consultants, representing a 58% reduction in consulting personnel. In the future it is planned that the "variable workforce"

(consultants) will represent approximately 15% to 20% in the new technologies or new systems functions.

The next step includes plans for an enhanced organizational structure. The Ontario Hospital Association has partnered with the Ministry, providing assistance for a human resources review that will address training, staff development, recruitment, retention, and succession planning.

Committee Recommendation

Statistics on the current number of consultants and the planned reduction in the complement at eHealth Ontario were provided to the Committee in September 2009. As of October 2009, the Ministry had two consultants working on knowledge transfer who had not moved to eHealth Ontario. It was planned that they would leave before year end 2009. The Committee concluded that updated statistics on consulting staff at eHealth Ontario are necessary to determine whether the Agency is making progress toward the planned "variable workforce" with consulting representing approximately 15% to 20% within in the new technologies function.

The Standing Committee on Public Accounts recommends that:

9. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the current staffing complement at eHealth Ontario (permanent staff and consultants). The data should include current staff statistics (2010) on permanent employees and consultants, and whether the Ministry and eHealth Ontario still believe the timeline to achieve the planned "ideal variable workforce ratio" of consultants to permanent staff of 15% to 20% is reasonable.

EXPENDITURE MANAGEMENT

The Auditor reported that at both agencies (the former Smart Systems for Health and the new eHealth Ontario) and the Ministry's eHealth Program Branch, policies and procedures governing payments to consultants were inadequate. The audit reported on the procurement practices of these three entities separately and concluded that evidence or documentation to demonstrate project payments for deliverables was lacking.

The Auditor recommended that eHealth Ontario and the Ministry should establish appropriate review and approval mechanisms to ensure that procurement policies are followed and that any exceptions to such policies are made for sound and defensible business reasons and are approved at an appropriate level. Significant exceptions should require Board approval and be reported to the Minister of Health and Long-Term Care.

As noted in the first section of this report, in 2009 the Ministry and eHealth Ontario had taken steps to improve operations and policies and procedures relating to procurement. eHealth Ontario had strengthened procurement, conflict-of-interest, delegation-of-authority, and whistleblower policies. It also conducted a review of current contracts and had taken steps to ensure that procurement would be competitive in the future. A quarterly review was planned to enable senior management to provide the Board with an assurance of compliance with all procurement policies.

Additional steps focused on expenditure management, for example, the introduction of a network service cost-reduction strategy (annual savings of \$1.2 million); the creation of the Financial Management Branch to oversee staff including consultants and to centralize all transfer payments; restructured Supply and Financial Services Branch to improve oversight capacity for Ministry procurement and to centralize the procurement process; the development of an Annual Business Plan, and plans to improve the government-wide accounting system to improve the oversight of contract and payment processes.

Public Hearings

EHR Value for Money

The Auditor concluded that the province received value for money on a portion of the \$1 billion expenditure. Benefits were realized in the applications, but overall network utilization has been low. The Auditor concluded as follows:

About \$800 million of the total \$1 billion that has been invested in the EHR initiative was incurred by SSHA, primarily in building and operating a private IT network and connecting the medical community to it. The value of this investment, at least to date, has not been realized. Part of the problem lies in operational issues, and we noted areas where costs could have been reduced. But our main concern is that the network remains significantly underutilized because as yet there is insufficient health-related information on it. Although some of the broader EHR applications were begun earlier, many of the critical EHR application projects were not begun until 2008. Responsibility for this rested with the Ministry.

The Deputy Minister explained that the notion that \$1 billion has been wasted is simply not accurate. Unlike other provinces, Ontario is challenged by the complexity of its scale. eHealth Ontario has started renegotiating long-term agreements for network maintenance with lower costs.

The Committee questioned whether the eHealth Ontario system had functionality, and if value for money can be achieved for taxpayers over the long term. The Ministry provided a list of some of the Agency's features to demonstrate that the investment has produced results.

- The network is "Internet-ready."
- There is "a functioning integrated public health information system to track infectious disease outbreaks" with plans to upgrade "to include immunization records and vaccine management." The new national Panorama Program will provide a public health information integration system.
- Technology upgrades have been provided "to 3,300 physicians for electronic medical records in their offices. There are plans and funding in place for an additional 5,700 physicians over the next three years."
- "In 2006, the Ministry merged the various telemedicine projects in the province into the Ontario Telemedicine Network [part of the electronic health agenda]."
- The Ontario Laboratory Information System provides "an integrated and interactive information system [digital images repository providing diagnostic information] that electronically connects communities, hospitals and public health laboratories, and stores laboratory data in a common repository."
- Plans are underway for a request for proposals for the development and implementation of the new Diabetes Registry.

The Deputy Minister acknowledged that the system was not fully operational (i.e., functional and interactive) in October 2009, but that program defects have been substantially reduced. The Ministry stressed that there is "a credible plan in place, that there are multi-year funds allocated and that the consolidation of eHealth activities in the eHealth Ontario agency is the best approach for implementation." The Ministry's expectation is that in addition to each project charter and contract, the RFPs would set out clear deliverables, milestones and expectations.

The Committee enquired about the waste of resources and attempts to recoup funds from consultant contracts where the expected deliverables had not been received. According to the Ministry, projects have been completed but in terms of benefits, the Deputy Minister indicated that he could not estimate the value received. In the case of consulting contracts, by and large the work had been completed. Expenditures on consultants has been reduced and contracts have clear scopes of work that can be measured in terms of the value received based on a new level of rigour applied through performance measurement.

Committee Recommendation

As part of the enhanced expenditure management, eHealth Ontario's senior management is to provide the Board with regular reviews on its compliance with procurement policies.

The Standing Committee on Public Accounts recommends that:

10. eHealth Ontario report to the Standing Committee on Public Accounts on the progress made in ensuring consultant requests for proposals now set out clear deliverables, milestones, expected time frames, and associated costs.

CONSOLIDATED LIST OF RECOMMENDATIONS

The Standing Committee on Public Accounts requests that the Ministry of Health and Long-Term Care provide the Committee Clerk with a written response to each of the Committee's recommendations within 120 days of the tabling of the report with the Speaker of the Legislative Assembly, unless otherwise specified in a recommendation.

- 1. The Ministry of Health and Long-Term Care and eHealth Ontario provide a status report to the Standing Committee on Public Accounts on the progress made since the audit report to address operational problems and to improve procurement controls.**
- 2. The Deputy Minister of Health and Long-Term Care and the CEO of eHealth Ontario report to the Standing Committee on Public Accounts on the oversight and governance measures they now have in place to provide adequate assurance that the operational and procurement issues raised by the Auditor will not happen again.**
- 3. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the status of the EHR Strategic Plan. The report should address the creation of technological infrastructure, and the development of clinical applications to meet the needs of health care providers and clients.**
- 4. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the implementation of the enhanced accountability initiatives, including the Balanced Scorecard Framework. The report should describe how effective the new reporting and other mechanisms are in enhancing Ministry oversight and in moving the project forward.**
- 5. The Ministry of Health and Long-Term Care report publicly, on a quarterly basis, on the progress it is making in implementing its electronic health records (EHR) initiative.**
- 6. The Ministry of Health and Long-Term Care and eHealth Ontario provide the Standing Committee on Public Accounts with a status report on the effectiveness to date of eHealth Ontario's Gateway Policy (2010) for large, complex technology projects. The report should include, but not be limited, to the following:**
 - an overview of the implementation and administration of splitting IT projects into specific "gates" as an oversight mechanism; and**
 - an assessment of the impact of gating to date with a focus on the project objectives achieved (i.e., deliverables) at defined junctures in the life cycle of each project.**

7. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the following:

- **is the Ministry satisfied that it now has more effective oversight over eHealth Ontario's procurement practices;**
- **what processes does eHealth Ontario have in place to ensure the procurement problems of the past will not be repeated; and**
- **does the Ministry have any plans to extend its strengthened oversight practices over eHealth Ontario to other agencies funded by the Ministry?**

8. The Ministry of Health and Long-Term Care report to the Standing Committee on Public Accounts on the type of relationship, if any, between the Office of the Corporate Chief Information and Information Technology Officer (OCCIO) and arm's-length agencies like eHealth Ontario. If OCCIO services are not currently available to these bodies, the Committee requests that consideration be given to extending access to these services.

9. The Ministry of Health and Long-Term Care and eHealth Ontario report to the Standing Committee on Public Accounts on the current staffing complement at eHealth Ontario (permanent staff and consultants). The data should include current staff statistics (2010) on permanent employees and consultants, and whether the Ministry and eHealth Ontario still believe the timeline to achieve the planned "ideal variable workforce ratio" of consultants to permanent staff of 15% to 20% is reasonable.

10. eHealth Ontario report to the Standing Committee on Public Accounts on the progress made in ensuring consultant requests for proposals now set out clear deliverables, milestones, expected time frames, and associated costs.