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Executive summary

In this chapter, we set out the results of our examinations of the Department of Justice and the ten agencies that it manages.

We describe several areas where the Department should improve its processes for safeguarding public money. These processes include its systems to track, enforce, and collect fines; the development of contingency plans for its information technology systems; the strengthening of internal audit; and the strengthening of its project management practices. We also recommend that the Department strengthen its annual report by providing information on the risks that it faces, its performance, and what it owns and controls.

The financial statements of the Department's agencies are reliable except for the Office of the Public Trustee (Office). At the time of this report, the Office cannot prepare its March 31, 2000 and 2001 financial statements.

We also report that the Office did not properly administer its clients' affairs and safeguard their assets. We reported this matter in our Spring 2001 Report. In that report, we made a number of recommendations. Because we released this Report in May 2001, the Office was not able to act on our recommendations for the year ending March 31, 2001. Therefore, the conclusions and recommendations in our Spring 2001 Report continue to apply.

The Office acted promptly to address the recommendations in our Spring 2001 Report. The Office began development of processes to safeguard clients' assets. We describe those actions that the Office has taken and plans to take as at October 15, 2001. We can not provide assurance on the quality of those processes because they are either recently implemented or are being implemented. We will report a full assessment of the Office's management of its clients' affairs in a future report.

Introduction

The mandate of the Department of Justice is to promote safe communities, social and economic order, and fair and just relations through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

The Department administers justice services, police services, and adult corrections in the Province. The Department also administers registry systems for corporations and local registrars¹ and regulates pensions, credit unions, and businesses.

The Government's summary financial statements show protection of persons and property expenditures of \$266 million for the year ended March 31, 2001 (March 31, 2000 - \$262 million). The following table shows the protection of persons and property expenditures of various government agencies.

| | (in millions of dollars) | |
|---|--------------------------|---------------|
| | <u>2001</u> | <u>2000</u> |
| Department of Justice | \$ 232 | \$ 229 |
| Less expenditures by Justice for purposes other than the protection of persons and property | (14) | (14) |
| Saskatchewan Land Information Services Corp. | 25 | 24 |
| Department of Labour | 13 | 11 |
| Department of Municipal Affairs, Culture and Housing | --- | 9 |
| Other government agencies | <u>10</u> | <u>3</u> |
| | <u>\$ 266</u> | <u>\$ 262</u> |

During the year, the Department received \$232 million from the General Revenue Fund to deliver its programs. The Department also earned revenues of \$66 million. Information about the Department's revenues and expenditures appears in the *Public Accounts 2000-01: Volume 2: Details of Revenue and Expenditure* (2000-01 Public Accounts – Volume 2) (to view a copy of this report, see <http://www.gov.sk.ca/finance/paccts>).

¹ Effective January 2001, the Information Services Corporation assumed the responsibility for administering the registry system for personal property.

The following is a list of major programs and spending as reported in the 2000-2001 Public Accounts:

| | <u>Original Estimates</u> | <u>Actual</u> |
|------------------------------------|---------------------------|---------------|
| | (in millions of dollars) | |
| Community justice | \$ 81 | \$ 81 |
| Adult corrections | 52 | 60 |
| Court services | 28 | 30 |
| Registry and regulatory services | 6 | 7 |
| Accommodation and central services | 17 | 17 |
| Legal services | 15 | 15 |
| Administration | 6 | 6 |
| Boards and commissions | <u>16</u> | <u>16</u> |
| | <u>\$ 221</u> | <u>\$ 232</u> |

The Department is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31, 2001. These include:

Correctional Facilities Industries Revolving Fund
Judges of the Provincial Court Superannuation Plan
Law Reform Commission of Saskatchewan
Office of the Rentalsman Trust Account
Provincial Mediation Board Trust Account
Office of the Public Trustee
Queen's Printer Revolving Fund
Saskatchewan Legal Aid Commission
Saskatchewan Legal Aid Commission Pension Plan
Victims' Fund

Background

To assess the performance of the Department, it is important for legislators and the public to understand the Department's goals, objectives, and the risks that it faces.

The Department has identified six goals in its 2000-2001 annual report. These goals are to:

- ◆ have safe communities;

- ◆ resolve conflicts in constructive and timely ways;
- ◆ respond to the values and needs of Aboriginal people and enhance relations with them;
- ◆ uphold the rule of law;
- ◆ protect people in vulnerable situations; and
- ◆ provide a fair and effective marketplace.

Our audit conclusions and findings

We have completed our audits of the Department of Justice, the trust and special purpose funds, and the Crown agencies listed on the previous page except for the Office of the Public Trustee. We set out our findings and recommendations for the Office of the Public Trustee later in this chapter. We report the results of the Department of Justice and its other agencies below.

In our opinion, for the year ended March 31, 2001:

- ◆ **the financial statements for the funds and agencies are reliable;**
- ◆ **the Department and its agencies had adequate rules and procedures to safeguard and control their assets, except where we report otherwise in this chapter; and**
- ◆ **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except where we report otherwise in this chapter.**

We also report our assessment of the Department's annual report.

We set out our findings and recommendations for the Department under the following headings:

- ◆ System to track, enforce, and collect fines needs improvement;
- ◆ Contingency plans required;
- ◆ Internal audit needs strengthening;

- ◆ Better project management practices required; and
- ◆ Annual report needs improvement.

System to track, enforce, and collect fines needs improvement

The Department is responsible for administering the law. This responsibility includes issuing tickets (fines) for offences under various provincial and federal laws. The purpose of a fine is to deter the public from violating laws. If fines are not enforced, they will not serve as an effective deterrent. Without effective deterrents, our communities will be less safe.

The Department's systems for administering fines includes policies and procedures for:

- ◆ controlling the distribution and receipt of tickets to and from law enforcement agencies;
- ◆ ensuring the accurate and complete recording, tracking, and enforcement of tickets;
- ◆ controlling the recording and receipt of fine payments; and
- ◆ collecting unpaid fines.

The Department has adequate controls over the recording and receipt of fine payments. However, we noted weaknesses with respect to:

- ◆ the distribution and receipt of tickets;
- ◆ the recording, tracking, and enforcement of fines; and
- ◆ the collection of unpaid fines.

The distribution and receipt of tickets

The Department should follow its policies and procedures for the distribution of tickets and improve its controls for the receipt of tickets from law enforcement agencies.

The Department is responsible for administering fines for numerous offences under various provincial and federal laws. It also provides certain administrative services to other levels of government in support of their fine systems.

To administer fines, the Department needs policies and procedures for tracking the distribution and issuance of tickets. For example, it needs to know the tickets it distributes to provincial law enforcement agencies, the tickets the law enforcement agencies issue to offenders, and the tickets that the law enforcement agencies have not used. It needs this kind of information to determine if all tickets issued by law enforcement agencies are being recorded in the Department's automated fines systems.

The Department has policies and procedures for recording which law enforcement agencies received tickets. We found, however, that the Department is not consistently following its policies and procedures. For example, we examined three blocks of 100,000 tickets to determine if the Department was adequately tracking which law enforcement agencies received the tickets. We found that the Department's records did not identify which law enforcement agencies received approximately 20% of the tickets.

Also, we found that the Department does not have procedures to ensure that all issued tickets are recorded in the Department's automated fines systems. We examined one of the three 100,000 blocks of tickets from a prior year to determine how many were recorded as issued on the fines system. Of these tickets, approximately 84,000 were recorded as issued on the Department's fines systems. The Department does not know the status of the remaining 16,000 tickets.

As a result of these weaknesses, the Department is not able to ensure that all tickets issued by law enforcement agencies are recorded in its automated fines systems. This could result in lost revenue and it could undermine the deterrent effect of fines in the justice system.

1. We recommend that the Department:

- ◆ **follow its established procedures for recording tickets distributed to law enforcement agencies; and**
- ◆ **strengthen its procedures to ensure that the Department records all tickets issued by law enforcement agencies.**

The recording, tracking, and enforcement of fines

The Department needs to improve its court information system to ensure that court decisions are carried out.

Tickets received from law enforcement agencies are recorded in the Department's computer systems. The Department uses the Justice Automated Information Network (JAIN) to record all court decisions related to tickets, including the fines assessed. In addition, the Department records monetary and non-monetary fine "payments". Non-monetary payments are recorded when offenders select the fine option program alternative to pay their fines (i.e., community service).

The Department must ensure the accuracy and integrity of the information in the JAIN system to ensure court decisions are carried out. To do this, the Department must ensure that what is supposed to get recorded in the computer system is recorded, changes to the information in the system are accurate and authorized, and the information remains in the system.

The Department also uses the JAIN system to determine the amount of uncollected fines. Therefore, the Department must also ensure the accuracy and integrity of the financial information contained in the JAIN system. We found that the Department:

- ◆ does not ensure that only authorized persons have access to its system and data;
- ◆ does not ensure that every change to information in its computer system is properly authorized; and
- ◆ is unable to reconcile the uncollected fines at the beginning of the period with the uncollected fines at the end of a period when taking into consideration new fines ordered, payments received, and adjustments made during the period. For the year ended March 31, 2001, this unreconciled difference was approximately \$175,000 (March 31, 2000: \$336,000).

As a result, the Department does not know whether the information in its court information system is accurate or complete.

We reported this matter in our 1998 Fall Report – Volume 2. On January 4, 1999, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

We continue to recommend that the Department improve its procedures for ensuring the accuracy and integrity of its court information system.

The Department told us that significant work was done on the JAIN system in the current year and that a number of financial integrity issues were found and resolved. The Department also told us that it thinks it has found the problems causing the \$175,000 unreconciled difference noted earlier and that it plans to improve its system in the current year to resolve the problems.

The collection of unpaid fines

The Department should improve its procedures for collecting court-ordered fines.

During the year ended March 31, 2001, the Department recorded total fine revenue of \$12 million (the five year average is \$11.4 million). The collection rate for tickets issued during the year is approximately 72%. In 1996, the collection rate was approximately 84%.

The Department attributes the decrease in the collection rate to the 1996 changes in the sentencing provisions of the Criminal Code. Prior to 1996, offenders could settle their court ordered fines by paying the fine, by using the fine option program (i.e., community service), or by serving time in jail. After 1996, the Criminal Code eliminated the possibility that persons could be put in jail if they failed to pay their fines. For the year ended March 31, 1996, the Department received settlement of court ordered fines through the fine option program and time served of \$2.4 million. For the year ended March 31, 2001 the amount was \$1 million.

In 1993, the Department established the Fine Collection Review Committee (Committee) to review its fine collection program. The mandate of the Committee is to recommend options for increasing the collection of fines. The Committee did not meet during the current year to discuss or evaluate fine collection issues.

In August 1995, the Committee made sixteen recommendations. The Department has implemented a number of these recommendations that increase the likelihood that fines will be paid. For example, it has allowed offenders to pay fines by credit or debit card, partnering with Saskatchewan Government Insurance (SGI) to prevent offenders from renewing their drivers' licenses if they have unpaid fines, and it has assigned unpaid fines to collection agencies.

The Department told us that it has pursued, but has not fully achieved, a number of significant recommendations. These include:

- ◆ developing comprehensive, accurate financial reports so that management can compare actual collections with expected collections;
- ◆ using the driver licence non-renewal process for out-of-province persons who have not paid Saskatchewan fines (the Department has reached agreements with two provinces, but these agreements are not yet implemented); and
- ◆ making an agreement with Saskatchewan Government Insurance to refuse vehicle registration for persons with unpaid fines. This method of encouraging fine payments is used in other provinces.

The purpose of a fine is to deter the public from violating laws. If collection is not vigorously pursued, fines will not serve as an effective deterrent. Without effective deterrents, our communities will be less safe.

We reported a similar matter in our 1998 Fall Report – Volume 2. On January 4, 1999, PAC considered this matter and agreed with our recommendation and added:

Further, where possible that procedures be developed to ensure that when repeat offenders appear in the court, the sentencing judge will be informed if previous fines are unpaid.

We continue to recommend the Department should review its procedures for collecting fines including:

- ◆ implementing the recommendations of the Fine Collection Review Committee;
- ◆ establishing performance targets for fine collections and the performance measures needed to monitor progress in achieving the desired targets; and
- ◆ ensuring that when repeat offenders appear in court, the Department informs the sentencing judge of any unpaid fines.

The Department told us that it is continuing to pursue the recommendations made by the Committee and is monitoring other jurisdictions for additional options to improve its collection of fines.

Contingency plans required

The Department needs a written, tested, and approved contingency plan for its information technology (IT) systems.

The Department depends on its IT systems to carry out its programs and services. To provide continuous service, the Department must ensure its IT systems and data are available when needed. If they are not, the Department faces increased risk because of the possibility:

- ◆ it may miss commitments, need to delay decisions, and lose essential data; and
- ◆ it may face increased program and service costs and declining public confidence in the Department.

We also reported this matter in our 1997 Spring Report and 1997 Fall Report – Volume 2. On October 8, 1998, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department should prepare a written, tested, and approved contingency plan for its IT systems.

The Department told us that it is developing IT contingency plans for all of its programs and services. The expected completion date of this project is 2004.

Internal audit needs strengthening

The Department needs to strengthen its oversight of internal audit.

The Department has a Finance and Audit Committee that is comprised of senior management. One of the Committee's responsibilities is to oversee and provide direction to the Department's internal audit. The Department has set out the mandate of internal audit. Internal audit's mandate is to audit:

- ◆ revenue generating organizations within the Department;
- ◆ organizations within the Department that maintain trust and special purpose funds;
- ◆ the administration of expenditures and programs carried out by contractors and through cost-sharing arrangements; and
- ◆ expenditures of the Department and areas covered by the statutory audit requirements of the Provincial Auditor.

The Finance and Audit Committee is to review and approve internal audit's work plans and reports. The Finance and Audit Committee did not meet between May 1999 and June 2001. As a result, the Finance and Audit Committee did not approve internal audit's plans and did not meet to discuss the reports and recommendations of internal audit and our Office.

When internal audit does not receive appropriate direction and support, its effectiveness is at risk. Internal audit resources may not be sufficient to properly address the Department's needs, audit findings may not receive the support needed for corrective action to occur, and/or audit resources may not be directed at high risk areas. An example of a high risk area is the development and implementation of new computer systems. The Department did not use its internal audit resources to help manage its risks when the Office of the Public Trustee developed and implemented its new computer system. We found significant control weaknesses in the development and implementation of this new system. We also found significant control weaknesses in the administration of the clients' financial affairs at the Office of the Public Trustee.

2. We recommend that the Department's Finance and Audit Committee hold regular meetings to:

- ◆ **direct and approve the work plans of internal audit; and**
- ◆ **review and discuss the findings of internal audit and the Provincial Auditor's Office.**

The Department told us that the Finance and Audit Committee met in June 2001 to approve internal audit's 2001-2002 work plan. The Finance and Audit Committee plans to meet again in the Fall of 2001 to review its role and mandate.

Better project management practices required

The Department needs to continually assess and consistently apply its project management practices to ensure appropriate skills, processes, and resources are used to manage its information technology (IT) projects.

The Department's agencies manage the development and implementation of new IT systems for the delivery of their programs and services. To reduce the risks of failure, the Department needs to ensure its agencies have appropriate skills, processes, and resources to manage these projects.

The Department's IT strategic plan states that the Systems Services Branch is responsible for building, enhancing, and maintaining its information technology infrastructure. The Department has policies and procedures for systems development and project management. These policies and procedures include ensuring compliance with departmental standards and methodologies and for providing quality assurance to IT projects.

We reported, in our Spring 2001 Report, that the project management practices at the Office of the Public Trustee (Office) need strengthening. We recommended that the Office get expert advice, independent of the primary contractor, to help the Office manage the project. The System Services Branch was involved in tendering, selecting the vendor, and

setting up a project structure for the Office. However, during the development and implementation of the system, the Systems Services Branch did not have an experienced project manager actively involved in overseeing the management of this project.

The active involvement of an experienced project manager, independent of the primary contractor, would have helped the Office manage this project. It also would have provided the Department with the information it needed to properly oversee the project.

The Office told us that the development and implementation of its new system is nearing completion. Therefore, the Department should identify the lessons learned from this project. The Department should identify what went wrong, what should be changed to strengthen project management processes, and what needs to be done to ensure that these processes are consistently applied to future projects.

One of the Departments long-term goals is the development of an integrated criminal justice system. The purpose of this system is to replace the Department's old systems and to allow the Department to better integrate its systems and information. Strengthening its project management practices by identifying lessons learned will help the Department to ensure better practices are consistently used on all projects and will improve its ability to manage the risks of IT projects.

- 3. We recommend that the Department should strengthen its project management practices by identifying the lessons learned from the Office of the Public Trustee's recent information technology project.**
- 4. We recommend that the Department consistently apply its project management practices to ensure appropriate skills, processes, and resources are used to manage its information technology projects.**

The Department told us that it hired another person with project management experience on October 1, 2001.

Annual report needs improvement

The Department's annual report needs improvement.

In Chapter 1 of our 2000 Spring Report, we explain why the annual reports currently prepared by government agencies need improvement. We also provide guidance for how to improve annual reports.

We reviewed the annual report of the Department for the year ended March 31, 2001. The Department's annual report does not specifically address its key risks or explain the systems and practices it uses to manage these risks. The report should explain the key risks the Department must manage well to succeed. To assess the Department's performance, the Legislative Assembly and the public need to know how the Department is managing its key risks.

The annual report does set out the Department's overall goals, its objectives by program, and the program activities to achieve its objectives. The Department sets out activities and results by program. The Department, however, does not state whether or not it has achieved its goals. Also, the report does not set out the Department's performance measures and targets, and actual results compared to plans.

The annual report states that the Department is participating in the government-wide accountability project and that it is committed to identifying performance measures for determining and reporting on the effectiveness of its programs.

The annual report shows the Department's financial operating results. It also shows the Department's investment in capital assets, but it does not show what else it owns and owes. For example, the report does not disclose the Department's accounts receivable or financial commitments.

Public confidence in the Department's ability to meet its objectives is important to the Department's success. Public confidence will strengthen if the Department improves its annual report because strengthening accountability promotes better management.

We reported this matter in our 2000 Fall Report – Volume 3. On June 13, 2001, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department's annual report describe:

- ◆ the key risks that it faces and its plan to manage these risks;
- ◆ the Department's performance measures and targets and actual results compared to plans; and
- ◆ what the Department owns and controls.

The Department told us that it prepares its annual report in accordance with government guidelines for preparing annual reports.

The Office of the Public Trustee

The Office of the Public Trustee for Saskatchewan (Office) administers the property and financial affairs of approximately 5,500 clients. Clients include dependent adults, infants, and estates. The Public Trustee is assisted by two Deputy Public Trustees and approximately 29 staff.

For the year ended March 31, 1999, the Office acquired and disbursed \$38 million on behalf of its clients and held assets worth \$136 million. Accurate numbers are not yet available for March 31, 2000 or March 31, 2001. The majority of clients' assets are held in an investment fund consisting of mostly stocks and bonds. The Office is also responsible for personal items of clients, such as real estate, vehicles, furniture, appliances, and miscellaneous items.

Clients depend on the Office to manage their financial affairs. The Office is responsible for protecting clients' assets and making financial decisions and payments on their behalf. The Office needs strong administrative systems to carry out these duties. Without strong administrative systems, the clients' assets and the administration of their financial affairs are vulnerable.

Background

The Office had to replace its computer system in 1999. Its equipment and computer programs were obsolete and could not process data after December 31, 1999.

The Office developed and implemented its new computer system in October 1999. Due in part to difficulties associated with the development of its new computer system, the Office did not properly administer clients' affairs for the year ended March 31, 2000. We reported this matter in our Spring 2001 Report.

We also reported in our Spring 2001 Report that the Office needed to improve its system acquisition controls. The Office's plan was to complete the system by December 31, 1998 for a cost of \$700,000. As of March 31, 2001, the Office had spent \$2.1 million.

The project is now in its last phase of development and there are no plans to make further changes to the system. The Office's estimated cost of its new system is \$2.25 million.

Our audit conclusions and findings

In our Spring 2001 Report, we report that the Office needs to take corrective action promptly to properly administer its clients' affairs and to fix its computer system. At that time, the March 31, 2001 year-end had already passed. As a result, the Office was not able to act on our recommendation for the year ending March 31, 2001. Our conclusions and recommendations for corrective action that we report in our Spring 2001 Report continue to apply.

In our opinion, for the year ended March 31, 2001:

- ◆ **the Office's rules and procedures to safeguard and control clients' assets were not adequate because of the matters described below; and**
- ◆ **the Office complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters described below.**

At the time of this report, the Office can not prepare its March 31, 2000 and March 31, 2001 financial statements. As a result, we can not complete the audit of the Office for the years ended March 31, 2000 and

2001. We will report our audit conclusions and findings for these years in a future report.

We did not do specific procedures to determine if clients' assets were used inappropriately. It is not practical for us to do this work because the nature and extent of the weaknesses in the Office's processes allow errors or improper transactions to occur without detection.

We set out our findings and recommendations for the year ended March 31, 2001 under the following headings:

- ◆ administration of clients' affairs needs improvement; and
- ◆ system acquisition controls need improvement.

Since our Spring 2001 Report, the Office has acted promptly and is making progress towards addressing the matters that we reported. To ensure the Legislative Assembly and the public are kept informed, we describe the Office's progress as at October 15, 2001. We describe this progress in two ways. First, we outline the corrective action where we have evidence that it has taken place. Second, we outline the corrective action that the Office told us it has taken or is planning to take. We have not verified this information.

Administration of clients' financial affairs needs improvement

Because the Office's rules and procedures are inadequate, unauthorized access to clients' assets could occur without detection. Also, the Office did not keep reliable records showing the amounts it owed to clients and it did not keep reliable financial records. In addition, the Office did not properly control its bank account, did not properly control clients' personal assets, and could not prepare its financial statements for the year ended March 31, 2001. As a result, the Office did not properly administer clients' affairs.

We group our findings, recommendations, and the Office's progress in taking corrective action under the following headings:

- ◆ monitoring operations;

- ◆ computer access controls;
- ◆ investment earnings;
- ◆ client and financial records; and
- ◆ staff training.

Monitoring operations

For the year ended March 31, 2001, the Office's management did not receive sufficient information to monitor the effectiveness of its rules and procedures for protecting clients' assets and administering their financial affairs. Without this information, the Office cannot ensure that clients' assets are properly protected. We reported this matter for the year ended March 31, 2000 in our Spring 2001 Report. The Public Accounts Committee (PAC) considered this matter on June 13, 2001 and agreed with our recommendation.

We continue to recommend that management obtain the information to determine whether:

- ◆ its system of controls for protecting clients' assets is effective; and
- ◆ staff follow the Office's rules and procedures for administering clients' affairs.

Since our 2001 Spring Report, the Office has established additional policies and procedures including the creation of a monthly review process. The person responsible for doing the reviews is independent of administering clients' assets and payments. The purpose of the review is to provide the Public Trustee with information on whether clients' assets are correctly recorded and exist, whether payments and payees are correct, whether budgets are correctly recorded and approved, and whether files are prepared and documented in accordance with Office standards.

In addition to the monthly review process, the Office has developed some additional reports for management and staff, and it has hired a consulting firm to determine how to make it easier to get additional reports from the new system.

Computer access controls

For the year ended March 31, 2001, the Office did not have sufficient rules and procedures to limit access to its computer system and data. As a result, the unauthorized use of clients' assets could occur without detection. We reported this matter for the year ended March 31, 2000 in our Spring 2001 Report. PAC considered this matter on June 13, 2001 and agreed with our recommendation.

We continue to recommend that the Office strengthen its policies for limiting the access to its computer system and data.

The Office has assigned a person, independent of administering clients' assets and payments, who is responsible for administering access to its computer system and data.

The Office told us that it has reviewed staff access and taken steps to ensure that all access to its computer system and data is appropriate. Also, the Office told us that it has strengthened its controls over payments and that it has begun a review of all payments that were made after October 1, 1999 and that were greater than \$500. This review of payments is ongoing and the Office told us that it has not found any improper payments to January 31, 2000.

Investment earnings

For the year ended March 31, 2001, the Office did not have adequate rules and procedures to ensure that clients' investment earnings were correctly recorded in clients' assets. As a result, incorrect earnings could be allocated to clients' accounts. For the year ended March 31, 2000, we discovered that the Office recorded excess earnings in clients' accounts for the period from October 1999 to February 2001. As a result of this error, the Office paid \$231,000 (previously estimated and reported as \$270,000) of incorrect investment earnings to former clients. The Office used money from other clients when it made these incorrect payments. Also, this error in recording of clients' investment earnings caused the Office to collect approximately \$85,000 in excess administration fees from its clients. We reported this matter in our Spring 2001 Report. PAC considered this matter on June 13, 2001 and agreed with our recommendation.

We continue to recommend that the Office:

- ◆ develop rules and procedures to ensure that it correctly records clients' investment earnings and administration fees; and
- ◆ seek to recover the \$231,000 (previously estimated and reported as \$270,000) from former clients or from the Government's General Revenue Fund.

The Office has engaged a professional advisor to review the monthly investment distributions. It has sent letters requesting former clients to return their overpayments. To date, former clients have returned approximately \$63,000.

The Office has a plan to ensure that the remaining money that it lost is returned to existing clients. Also, the Office has not started to refund administration fees to clients. The Office told us that it will refund excess administration fees to clients after its review of clients' files is complete.

Client and financial records

For the year ended March 31, 2001, the Office did not ensure that its records are reliable. For example, it did not reconcile its accounting records (i.e., general ledger), promptly reconcile its bank account for the first half of the year, or maintain accurate records of clients' assets. We reported this matter for the year ended March 31, 2000 in our Spring 2001 Report. PAC considered this matter on June 13, 2001 and agreed with our recommendation.

We continue to recommend that the Office promptly:

- ◆ prepare accurate reports of the financial and personal items owned by the clients;
- ◆ balance its general ledger; and
- ◆ reconcile its bank account.

The Office has hired a professional accounting firm to review client and financial records. Upon its recommendations, the Office has started a

comprehensive review of clients' files. The file and payment reviews are an important step in helping the Office ensure that its financial and client records are reliable. The work on the file reviews is ongoing.

The file reviews have identified problems with the recording of clients' assets and the reliability of the Office's records. Also, because the Office charges administrative fees on clients' assets, the Office may have over or under charged some clients in prior years.

The Office told us that it will correct clients' records when its review of client's files is complete. The Office also told us that it has balanced its general ledger and has promptly reconciled its bank account since April 2001.

Staff training

For the year ended March 31, 2001, the Office did not provide sufficient training and guidance to staff in using the new computer system. When staff do not receive sufficient training and/or guidance in the use of a new system, the risk of errors increases. We reported this matter for the year ended March 31, 2000 in our Spring 2001 Report. PAC considered these matters on June 13, 2001 and agreed with our recommendation.

We continue to recommend that the Office:

- ◆ provide additional training to staff in using the computer system to manage the affairs of clients; and
- ◆ update the staff's procedure manual.

The Office told us that it has completed a survey of training needs and has held training sessions. The Office also told us that it plans to update its procedures manual and make it accessible to staff.

System acquisition controls need improvement

For the year ended March 31, 2001, the Office did not have adequate project management processes to manage the development and implementation of its new computer system. When project management processes are not adequate, the risks of acquiring and implementing

defective computer systems increases. We reported this matter for the year ended March 31, 2000 in our Spring 2001 Report. We recommended that the Office:

- ◆ ensure that future changes to the systems requirements are properly justified;
- ◆ strengthen its processes to ensure that the contractor delivers all the approved system requirements and the Office realizes the benefits it planned to receive from the system; and
- ◆ hire an expert consultant to help strengthen its project management processes.

PAC considered this matter on June 13, 2001 and agreed with our recommendations, with one exception. They amended the third recommendation. This amendment is shown in italics.

- ◆ hire an expert consultant to help strengthen its project management processes *provided sufficient funds are available.*

The Office's primary justification for the new computer system was to replace its old system because it could not process data after December 31, 1999. The Office also identified several other benefits to support its decision to develop and implement the new computer system. These benefits included increasing the level of service provided to clients to be in accordance with the fees charged, making better financial decisions on behalf of clients, providing more timely responses to clients, and reducing costs of administering clients' affairs. To date, the Office has not set up processes to monitor and measure the realization of the benefits that it planned to receive from its new system.

We continue to make the above recommendations. Earlier in this chapter we recommend that the Department should strengthen its project management practices by identifying the lessons learned from this project. We also report that the Department has recently hired a person with project management experience for its Systems Services Branch. We think that this resource could provide the expert help the Office needs to strengthen its project management processes.

The Office told us that it has improved its processes for making and verifying changes to its computer system. The Office said that these improvements consist of providing more support to justify the changes and their costs and more extensive testing of the changes to ensure they are correctly made.