

Social Services

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Executive summary

The Department of Social Services is a large, complex entity that spent \$579 million delivering its programs.

The Department has shown leadership in establishing effective rules and procedures for safeguarding and controlling public money for social assistance payments and programs delivered by community-based organizations (CBOs). However, for the Legislative Assembly and the public to benefit from this leadership, the Department must follow its rules and procedures.

- ◆ For social assistance payments, the Department needs to improve its compliance with its established procedures to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance. For example, the Department must strengthen its verification of the continued eligibility of clients to receive assistance.
- ◆ For programs delivered by CBOs, the Department should strengthen its assessment of the CBOs' progress in achieving the Department's operational objectives. To do this, the Department needs to encourage more CBOs to submit timely performance reports.

To help the Legislative Assembly and the public to assess the Department's performance, its annual report should provide a summary of the Department's financial and operational plans, performance targets, and actual results including its financial statements.

Introduction

The Department of Social Services manages a significant amount of money for social programs. The Government's summary financial statements show "social services and assistance expenses" of \$782 million for the year ended March 31, 2001 (March 31, 2000 - \$785 million).

The following table shows the total Government spending for social services programs and services by agency:

	(in millions of dollars)	
	<u>2001</u>	<u>2000</u>
Department of Social Services	\$ 579	\$ 578
Department of Municipal Affairs and Housing	137	148
Department of Post-Secondary Education and Skills Training	55	49
Other Government agencies (excluding grants from the Departments of Social Services, Municipal Affairs and Housing, and Post- Secondary Education and Skills Training)	<u>11</u>	<u>10</u>
	<u>\$ 782</u>	<u>\$ 785</u>

The Department of Social Service's mandate is to:

- ◆ help families care for and support their members;
- ◆ provide basic income support to people in need;
- ◆ work to reduce the risks and disadvantages of poverty;
- ◆ protect children from abuse and neglect;
- ◆ provide services for youth in conflict with the law;
- ◆ promote a standard quality of daycare; and
- ◆ support independent community-based services for people with mental and physical disabilities.

The Department received \$579 million from the General Revenue Fund to deliver its programs. The Department also earned revenues of \$16 million.

The following is a list of major programs and spending:

	<u>Original Estimates</u>	<u>Actual</u>
	(in millions of dollars)	
Income Support	\$ 338	\$ 334
Family and Youth Services	86	90
Community Living	63	64
Regional Service Centres	49	51
Child Care	19	18
Accommodation and Central Services	14	14
Other	<u>7</u>	<u>8</u>
Total	<u>\$ 576</u>	<u>\$ 579</u>

Key risks the Department faces

It is important that legislators and the public understand the key risks facing government organizations and how those risks are managed. Sharing our understanding with legislators and the public will help them better understand and assess government organizations' performance.

We identify five key risks facing the Department. To be successful, the Department needs to:

- ◆ identify the long-term social service needs of Saskatchewan residents that fall within its mandate;
- ◆ decide the types, volumes, and standards of essential social services the Department needs to provide to meet those long-term needs, make those services available, and monitor service delivery;
- ◆ contribute to public policy decisions and influence public attitudes on people's social well-being;
- ◆ obtain sufficient resources to deliver its services; and

- ◆ ensure the Legislative Assembly and the public know whether the Department is doing the right things well.

In Chapter 22 of our 1997 Fall Report – Volume 2, we describe more fully these risks and the Department's systems and practices to manage these risks.

Our audit conclusions and findings

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

- ◆ **the Department had adequate rules and procedures to safeguard and control its assets except as described on pages 321 to 330; and**
- ◆ **the Department complied with the authorities governing its financial reporting, safeguarding assets, revenue raising, and spending except as described on pages 321 to 330.**

We also report our assessment of the Department's annual report on page 330.

Internal audit reports not timely

The Department needs timely reports from its internal auditor.

The internal auditor's reports provide senior management with assurance that the Department's rules and procedures are working properly to ensure that money is spent according to the law.

The internal auditor examines the following programs:

- ◆ Saskatchewan Assistance Plan (SAP);
- ◆ Saskatchewan Employment Supplement (SES); and
- ◆ Family and Youth Services Programs (i.e., Family and Youth Automated Payment (FYAP)).

The Department expects an annual audit report on each of the above programs by the end of September. We do not think that September is a

timely deadline. The Department cannot make timely decisions with audit reports that are six months old. Reporting deadlines of three or four months after the March 31 year-end would provide the Department with more useful information.

For all the above programs, the internal auditor's reports were either late or not issued at all. The internal auditor reported on SAP for the year ended March 31, 2000 in October 2000. The internal auditor reported on SES for the years ended March 31, 1999 and March 31, 2000 in September 2001. We have not assessed the SES audit report because we did not receive it until after we completed our audit. We will assess the audit report during our audit of the Department for the year ended March 31, 2002. The internal auditor has not started to audit the FYAP program for the years ended March 31, 2000 or March 31, 2001.

Without timely audit reports, the Department cannot ensure it has adequate internal controls over programs to safeguard public money and to ensure that only eligible recipients receive assistance and that they receive the correct amount of assistance.

We also reported this matter in our 2000 Fall Report – Volume 3. In June 2001, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department issue timely internal audit reports.

Policies and procedures need to be followed for social assistance payments

The Department needs to follow its rules and procedures to ensure that only eligible persons receive assistance and that they receive the correct amount of assistance.

The Department paid \$255 million in social assistance for the year ended March 31, 2001. The Department has rules and procedures for making assistance payments. The Department also has rules and procedures to monitor how well it ensures only eligible persons receive the correct amount of assistance. Examples of its monitoring rules and procedures are:

- ◆ verifying and documenting the eligibility of recipients (e.g., living arrangements, employment status, personal income, and assets);
- ◆ periodic comparison of social insurance numbers with other provinces to ensure that a client is only collecting benefits from one province;
- ◆ matching information reported by clients to other government agencies (e.g., Canada Customs and Revenue Agency) to ensure that clients are reporting all income to case workers; and
- ◆ carrying out internal audits of social assistance payments after payments are made, compiling the audit results, and comparing the results with a pre-established acceptable error rate. Due to the nature of social assistance, errors in the amount of assistance payments are unavoidable. The Department has decided it will reconsider its procedures for paying social assistance if the results of its internal audit procedures show errors more than 4% of total amount of assistance payments. We think the 4% error rate is reasonable for social assistance payments.

The Department did not adequately follow its established rules and procedures to ensure that only eligible persons received the correct amount of assistance. It did not adequately verify and document many recipients' living arrangements, employment status, personal income, and assets.

The Department's rules and procedures include verifying each recipient's eligibility when he or she applies for assistance and at least annually after that. Twenty-five percent of the client files we examined did not contain adequate information for the Department to verify the eligibility of applicants. Application forms in these files did not contain all required information such as the recipient's assets, income, spouse, dependants, or constitutional status (i.e., status Indian). While the Department may decide to make initial payments to meet immediate client needs, it should not accept application forms until they are properly completed.

The Department's annual verification of each recipient's continued eligibility was not adequate. For many recipients, the Department relied on annual questionnaires filled out by recipients. The Department told us

it viewed these recipients as low risk because they would likely not have significant changes to their eligibility for assistance. The Department did not have a consistent, comprehensive risk management process to decide which clients require closer scrutiny (e.g., which clients require a personal interview versus a mail-in questionnaire). Also, the Department often did not adequately document or verify changes to recipients' eligibility (e.g., personal assets, income, living arrangements) based on information obtained during the annual review.

The Department did not adequately document its verification of expenses (e.g., receipts, cancelled cheques) paid to, or on behalf of, recipients. These unsupported payments included utilities (13% of the files we examined), and rent (18% of the files).

Because the Department did not adequately follow its rules and procedures, it did not know that only eligible clients received assistance and that they received the correct amount of assistance. Also, because the Department did not adequately follow its rules and procedures, we are unable to determine that only eligible clients received assistance and that they received the correct amount of assistance.

We also reported this matter in our 2000 Fall Report – Volume 3. In June 2001, PAC agreed with our recommendation.

We continue to recommend that the Department follow its established procedures that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

Information technology development practices need strengthening

The Department needs to strengthen its project management practices by incorporating the lessons it learned from its recent Information Technology (IT) projects into approved project management policies and procedures. These IT projects are described in more detail in our 1999 Fall Report – Volume 2.

Without good project management practices, the experience of the IT industry shows that most new IT systems do not meet user requirements, costs are exceeded and the systems are late. To reduce these risks,

organizations need policies and procedures, as set out in the Exhibit, to inform, train, and guide staff on good project management practices. Also, to ensure project teams follow approved policies and procedures, an effective project management structure needs to be set up to oversee projects.

Exhibit 1 – Project Management Policies and Procedures: Best Practices

Organizations need policies and procedures that set out a project management framework to ensure:

- ◆ Projects are approved based on reliable estimates (e.g., project benefits, cost, time required to complete the project, and project risks);
- ◆ Project products (i.e., system requirements) are clearly identified and their development assessed to ensure quality standards are met;
- ◆ Projects are effectively tracked (e.g., comparisons of budget to actual time, cost, and work completed to date) and the results consistently reported to management;
- ◆ Project risks are identified and managed;
- ◆ Project teams have appropriate skills and training;
- ◆ User groups are kept informed of progress and receive effective training in using the delivered products; and
- ◆ Project plans incorporate the lessons learned from previous projects.

The Department has made significant progress in strengthening its processes for managing IT projects. Progress includes draft policies and procedures, and the establishment of a Project Management function. This function was designed to provide project management expertise and to ensure policies are followed. However, more work needs to be done. For example, the Department:

- ◆ needs new policies and procedures to set out fully an IT project management framework for the Department; and
- ◆ should review and approve its draft policies and procedures to ensure they meet the Department's needs.

We also reported this matter in our 1999 Fall Report – Volume 2 and our 2000 Fall Report – Volume 3. In June 2001, PAC agreed with our recommendation.

We continue to recommend that the Department continue to strengthen its policies and procedures for developing and implementing new Information Technology.

Maintenance (child support) enforcement needs improvement

The Department needs to ensure its records accurately monitor the pursuit of child support.

The Department requires recipients of social assistance to pursue other means of support. It requires a custodial parent receiving assistance to pursue child support from the other parent if obtaining such support is possible. The Department reduces the amount of assistance provided to the custodial parent through the Saskatchewan Assistance Program by the amount of child support received. The Saskatchewan Employment Support Program, described later, provides income support to eligible custodial parents who receive child support.

Many of the Department's records used to monitor the pursuit of child support were not accurate. Inaccurate records impede the Department's ability to ensure recipients pursue child support.

We also reported this matter in previous years. At its January 1999 meetings, PAC agreed with our recommendation.

We continue to recommend that the Department improve its records to ensure custodial parents receiving social assistance pursue child support.

The Department told us that after March 31, 2001, it has fixed its records so that it can now adequately monitor the pursuit of child support. We will examine the Department's corrective actions next year.

Reports from Community-Based Organizations need improvement

The Department needs to ensure that Community-Based Organizations (CBOs) submit required performance reports to the Department. The Department should also perform timely reviews of the reports. As well, it should work with CBOs to establish performance measures and targets to enable the Department to assess each CBO's progress in meeting the Department's objectives.

The Department paid \$60 million to over 270 CBOs that provide social services for the Department. CBOs are non-profit organizations that provide a wide range of programs to local communities for the Department. These programs include group homes, services to enable people to live in their own homes (who otherwise could not), and early childhood intervention.

Financial performance reports

Service agreements require the CBOs to provide the Department with quarterly and annual financial reports including a comparison of actual results to the budget and explanations of differences. Service agreements require CBOs to prepare their annual financial reports following the Department's Financial Reporting Guide (developed in consultation with the Institute of Chartered Accountants of Saskatchewan and our Office).

We examined the quarterly and annual financial reports of 18 CBOs. Six of the 18 CBOs submitted their quarterly financial reports late or not at all. Eight CBOs submitted their annual reports late (June 30 deadline) or not at all. Also, 11 CBOs did not prepare their financial statements following the Financial Reporting Guide.

The Department did not do a timely review of the CBOs' financial reports. It reviewed most of the reports eight to ten months after the CBOs' year-end. Late reviews of financial reports could result in the Department not taking timely corrective actions if, for example, CBOs were not spending public money for the purposes intended.

As a result of the Department not adequately following its rules and procedures, it did not know if all CBOs achieved the Department's financial accountability objectives. Also, because the Department did not adequately follow its rules and procedures, we are unable to determine if the money was used for the intended purposes.

Operational performance reports

The service agreements require the CBOs to describe their operational objectives and their policies and procedures designed to achieve those objectives. The Department visits the CBOs to periodically assess

whether they are achieving the Department's objectives. The Department does not document its assessments.

The Department does not require the CBOs to have documented performance measures and targets to assess the CBOs' progress in meeting the Department's operational objectives. As a result, the Department is unable to determine if the CBOs are achieving the Department's objectives.

Also, the Department's Family and Youth CBOs service agreements are inconsistent. For example, some service agreements describe the services or activities CBOs must do to achieve the Department's objectives. Other service agreements do not specify what services or activities CBOs must do.

We also reported this matter in previous years. At its January 1999 meetings, PAC agreed with our recommendations.

We continue to recommend that the Department ensure all Community Based Organizations (CBOs) submit timely financial and operational performance reports to the Department as required by agreements.

We continue to recommend that the Department perform timely reviews on all the financial and operational performance information submitted by the CBOs.

We continue to recommend that the Department work with CBOs to establish performance measures and targets that enable the Department to assess the CBOs' progress in achieving the Department's operational objectives.

The Department informed us that it plans to review the CBO service agreements in the near future to ensure all relevant information is included.

Department needs to ensure Saskatchewan Employment Supplement payments comply with the Law

The Department needs to ensure that only eligible recipients receive the Saskatchewan Employment Supplement (SES) and that the amounts are correct.

The SES is intended to encourage low-income parents to seek and retain paid work. The SES supplements the income earned by low-income parents from wages, self-employment, and child and spousal support. Monthly payments are intended to assist low-income parents with the child-related costs of going to work and thereby increase the likelihood that they will continue to work. SES payments totalled \$11.5 million (average of 7000 families) for the year ended March 31, 2001.

The Employment Supplement Regulations require applicants to have valid social insurance numbers (SIN). The Department does not ensure that applicants' for SES have valid SINS.

In addition, the Department does not adequately verify each recipient's income. Recipients report their income to the Department verbally when applying for SES and each month after acceptance to the program. The Department does not periodically obtain independent information to verify the incomes reported by recipients. For example, the Department's internal auditor could verify recipient's income by examining recipients' pay stubs or tax returns.

As a result of these weaknesses, the Department does not know if SES payments complied with the regulations. Also, because of these weaknesses, we are unable to determine if money spent under this program was used for the purposes set out in law.

- 1. We recommend that the Department verify the validity of each Saskatchewan Employment Supplement applicant's social insurance numbers.**
- 2. We recommend that the Department periodically verify the incomes of Saskatchewan Employment Supplement recipients.**

Our Office received the internal auditor's report for the SES program for the years ended March 31, 1999 and 2000 after we had completed the audit. We will review this report during our audit of the Department for the year ended March 31, 2002.

The Department told us that it is currently negotiating the set up of an electronic process with the Federal Government to check the validity of applicants' SIN numbers.

Annual Report needs improvement

The Department needs to improve its annual report for the year ended March 31, 2001.

The annual report should explain the Department's key risks in achieving its objectives and the controls in place to manage those risks. To assess the Department's performance, the Legislative Assembly and the public need to know how the Department is managing its key risks. We have set out what we think are the Department's key risks on page 320.

The annual report sets out the Department's operating goals and objectives and activities to achieve them. The report, however, does not describe the Department's progress in achieving its goals and objectives. Also, the report does not show the Department's performance targets and measures.

The report does not include financial statements for the Department. However, the report shows the Department's financial operating results and its investment in capital assets.

Public confidence in the Department's policies and procedures is important to the Department's success. We think public confidence would strengthen if the Department improves its annual report.

We also reported this matter in previous years. At its January 1999 meetings, PAC agreed with our recommendations, while recognizing the difficulty of setting measurable performance target indicators in a single year.

We continue to recommend that the annual report provide a summary of the Department's financial and operational plans, performance targets, and actual results.

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