Social Services

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Executive summary

The Department of Social Services is a large, complex agency that spent $580 million delivering its programs.

For several years, we have reported that the Department does not adequately follow its rules and procedures. We continue to report that we are unable to determine if the Department spent all public money it administers for the purposes intended by the Legislative Assembly. For example:

♦ 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 Community-Based Organizations (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.

Also, the Department needs better financial information. The financial reports senior management uses to manage the Department are incomplete. The reports show the results of the Department's operations (i.e., its revenues and expenditures), but not what the Department owns and owes (i.e., its assets and liabilities). Without complete financial reports, senior management may make incorrect decisions.

As well, the Department's annual report needs improvement. 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.

In 1995, we made four recommendations about case planning for employable social assistance clients. The Department needs to complete its planned action on these recommendations.

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 $784 million for the year ended March 31, 2002 (March 31, 2001 - $782 million).

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

	(in millions of dollars)	
	2002	2001
Department of Social Services	$ 580	$ 579
Department of Municipal Affairs and Housing	139	137
Department of Post-Secondary Education and Skills Training	53	55
Other Government agencies (excluding grants from the Departments of Social Services, Municipal Affairs and Housing, and Post-Secondary Education and Skills Training)	12	11
	$ 784	$ 782

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 $580 million from the General Revenue Fund to deliver its programs.

The following is a list of major programs and spending as based on the original estimates for the year ended March 31, 2002:

	Original Estimates	Actual
	(in millions of dollars)	
Income Support	$ 324	$ 316
Family and Youth Services	95	95
Community Living	69	71
Regional Service Centres	56	55
Child Care	19	18
Accommodation and Central Services	15	15
Other	10	7
Early Childhood Development	3	3
Total	$ 588	$ 580

The Department is also responsible for the Social Services Central Trust Account.

Key risks the Department faces

It is important that legislators and the public understand the key risks facing government organizations and how they manage those risks. 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 that 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 that the Legislative Assembly and the public know whether the Department is doing the right things well.

In Chapter 17 of our 1997 Fall Report – Volume 2, we describe these risks and the Department's systems and practices to manage those risks in more detail.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2002:

♦ **the Department had adequate rules and procedures to safeguard and control its assets except as described in this chapter; and**

♦ **the Department complied with the authorities governing its financial reporting, safeguarding assets, revenue raising, and spending except as described in this chapter.**

We also report our assessment of the Department's annual report on page 263.

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 in the correct amount.

The Department paid approximately $250 million in social assistance for the year ended March 31, 2002. The Department has rules and procedures for paying assistance. The Department also has rules and procedures to monitor how well it ensures that only eligible persons receive the right 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 each 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 the Department; and

- ♦ carrying out internal audits of social assistance payments after payments are made and comparing the audit results with a pre-established acceptable error rate.

The Department did not adequately follow its established rules and procedures to ensure that only eligible persons received the correct amount of assistance. The Department's rules and procedures require verifying recipients' eligibility when they apply for assistance and at least annually after that.

Twenty-one percent of the client files that we examined did not contain adequate information for the Department to verify the eligibility of applicants. For example, application forms in these files did not contain all required information such as the recipient's identification, employability, assets, income, spouse, and dependants.

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 that 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 risk management process to decide which clients require closer scrutiny (i.e., 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 based on information obtained during the annual review.

The Department did not adequately document its verification of expenses (e.g., rent, utilities) paid to, or on behalf of, recipients in forty-six percent of the files we examined.

Thirty percent of the files we examined indicated a significant possibility that the Department made payments to ineligible clients or incorrect payments to eligible clients. These files and related records did not contain adequate evidence that the Department had investigated, or planned to investigate, those cases to ensure that the Department paid the clients the correct amount of assistance.

Because the Department did not adequately follow its rules and procedures, it did not know that only eligible clients received assistance in the correct amount.

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

We also reported this matter in previous reports. In June 2001, the Standing Committee on Public Accounts agreed with our recommendation.

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

Management's response

> For the past several years as part of the Income Redesign initiative, the Department has been developing a new SAP service delivery system which features an active, labour market attachment model of income support to better support clients in their transition to independence. The new model, piloted in Regina and Yorkton in 2001, is now being implemented across the province and introduces new processes in advance of the social assistance application which provide clients with alternatives to social assistance and redeploys staff to assist clients with accessing employment, education, training and community participation opportunities.

> The new model features a <u>Call Centre</u> as the first point of contact; <u>JobsFirst</u> which is a new service to inform and connect applicants to local job opportunities; and <u>First Step</u> which informs applicants about their rights and responsibilities. A new approach to working with clients, called <u>Transition Planning,</u> has been introduced along with the process changes which focuses on client strengths rather than barriers and deficiencies.

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The social assistance caseload has declined for the past seven years due an improved provincial economy and the redesign of income security programs and service delivery which supports individuals and families to take advantage of employment opportunities. Between July 1994 and July 2002 the social assistance caseload declined by 10,443 cases (25.9%) from 40,350 cases to 29,909 cases.

Internal auditor's reports need improvement

The Department needs reliable and 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 it spends money 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)).

Internal auditor's report on Social Assistance Plan not reliable

The internal auditor's report on social assistance payments is not reliable.

The internal auditor carries out internal audits of social assistance payments after payments are made, compiles the audit results, and compares the results with a pre-established acceptable error rate. Due to the nature of social assistance, errors in assistance payments are unavoidable. The Department has decided that 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.

For the year ended March 31, 2001, the internal auditor reported that 77% of the client files audited contained one or more instances where the Department did not follow its rules and procedures for paying social assistance. The Department's rules and procedures include:

♦ ensuring complete client identification is on file;

♦ performing an annual review to verify client circumstances;

♦ ensuring correct coding of marital status, employability status, maintenance eligibility, or living arrangements; and

♦ ensuring complete documentation to support income or assets claimed or not claimed by a client, or as support for payments made to or on behalf of the client.

We agree with the internal auditor that the Department did not adequately follow its rules and procedures to ensure that only eligible persons receive assistance and that they receive the correct amount of assistance. However, we disagree with the internal auditor's assessment of the error rate in assistance payments.

The internal auditor reported a 3.5% error rate in social assistance payments for the year ended March 31, 2001. Given the high rate of non-compliance with the Department's rules and procedures described elsewhere in this chapter, the internal auditor cannot accurately determine an error rate.

We provide two examples of non-compliance that would prevent the internal auditor from determining a reliable error rate for social assistance payments.

1. As noted earlier, in 21% of the recipient files that we examined, the Department did not adequately follow its rules and procedures to determine and document the employability of social assistance recipients. The Department works with employable recipients to help them find employment and get off social assistance. Because the Department did not adequately follow its rules and procedures to identify employable recipients and help them find work, the internal auditor was unable to determine the amount that social assistance would have been reduced if the employable recipients had found work.

2. In 20% of the files we examined, the Department did not adequately follow its rules and procedures to ensure that custodial parents pursued child support from the other parent. The Department reduces the amount of assistance provided to the custodial parent through SAP by the amount of child support

received. Because the Department did not adequately follow its rules and procedures to ensure that child support was pursued, the internal auditor was unable to determine the amount that social assistance would have been reduced if custodial parents had successfully pursued child support.

Until the Department follows its rules and procedures for social assistance payments, the internal auditor will be unable to determine a reliable error rate for these payments.

1. **We recommend that the internal auditor prepare reliable audit reports on Social Assistance Plan payments.**

Internal auditor's reports not timely

The Department expects an annual internal audit report on each of the above programs by the end of September. We think the Department needs the audit reports sooner. The Department cannot make timely decisions with audit reports that are six months old. Reporting deadlines of three months after the March 31 year-end would provide the Department with more useful information.

For SAP and SES, the internal auditor did not issue reports for the year ended March 31, 2001 until January 2002. The internal auditor has not reported on the audit of the FYAP program.

Without timely audit reports, the Department cannot be sure that its rules and procedures are working properly to ensure that money is spent according to the law.

We also reported this matter in our 2001 Fall Report – Volume 2. 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.

Maintenance (child support) enforcement needs improvement

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

The Department requires recipients of social assistance to pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required 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 SAP by the amount of child support received. The SES program encourages custodial parents to pursue child support by providing additional income to eligible custodial parents who receive child support of at least $125 per month but not more than $3,000 per month.

Twenty percent of the records we examined, which the Department used to monitor the pursuit of child support, were not accurate. We also found several cases where the record showed that the custodial parent may have been eligible for child support, but there was no evidence that that the parent was actively pursuing support.

We reported this matter in prior years. In January 1999, PAC agreed with our recommendation.

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

Agreements with community-based organizations need improvement

The Department paid $69 million to over 260 community-based organizations (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 and youth-at-risk interventions.

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The Department's agreements with CBOs need improvement. In addition, the Department needs to ensure that CBOs submit required reports to the Department and that the Department reviews this information on a timely basis. As well, the Department should work with CBOs to establish performance measures and targets that allow the Department to assess the CBOs' progress in meeting the Department's objectives.

Agreements with community-based organizations

The Department's agreements with CBOs need improvement. Service agreements should:

♦ set out clearly the Department's financial, operational, and compliance with the law objectives;

♦ require the CBOs to report periodically to the Department their assessments of the control they have established to achieve the Department's financial, operational, and compliance with the law objectives;

♦ require the CBOs to report to the Department periodically on the CBOs progress in achieving the Department's objectives;

♦ allow the Department or an independent auditor to verify the CBOs' reports; and

♦ describe how the Department will provide money to the CBOs.

For CBOs managing small amounts of public money (e.g., less than $250,000), the Department could have less stringent reporting requirements than those described above. For smaller CBOs the Department could directly monitor and document the CBOs' performance instead of requiring formal performance reports from them.

The Department's annual agreements with CBOs set out the Department's financial and compliance with the law objectives, allow the Department to verify reports received, and describe how the Department will provide money. However, the agreements do not clearly set out the Department's operating objectives. Also, the agreements do not require CBOs to report periodically their assessments of the control they have

established to achieve the Department's objectives. Control comprises those elements of a CBO (including its resources, systems, processes, culture, structure, and tasks) that, taken together, support people in the achievement of the Department's objectives. To meet its responsibilities, the Department must know that the CBOs have systems, processes, and other control elements to ensure the proper use of public money entrusted to the CBOs.

As a result of inadequate agreements with CBOs, the Department does not know if its financial, operational, and compliance with the law objectives are being met. Also, because the Department did not adequately follow its rules and procedures, we are unable to determine if the money was used only for the type of payments specified in the service agreements.

2.   **We recommend that the Department strengthen its service agreements with community-based organizations.**

Financial performance reports

Service agreements require the CBOs to provide the Department with quarterly and annual financial reports including a comparison of actual to budget and an explanation of differences. The service agreements also specify the dates that the Department is to receive the reports. The Department monitors the CBOs to ensure they spend the money as intended.

We examined the quarterly and annual financial reports of 18 CBOs. A number of CBOs are not providing the required financial information on a timely basis. Our tests revealed that the CBOs submitted 22 of the quarterly reports and nine of the annual reports (June 30 deadline) late or not at all.

The Department did not do a timely review of CBOs' financial reports. It reviewed 15 reports more that seven months after the CBOs' year ends or not at all. Late reviews of financial reports could result in the Department not taking timely corrective action; if for example, a CBO was not spending public money for the purposes intended.

Because the Department did not adequately follow 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 Department requires CBOs to submit annual reports describing their services and activities. However, the Department does not require the CBOs to set performance measures and targets to enable the CBOs to report their progress in meeting the Department's objectives.

As a result, the Department does not know if the CBOs are achieving the Department's operational objectives.

We also reported these matters in previous years. At its June 2001 meetings, PAC agreed with our recommendations.

We continue to recommend that the Department ensure that all CBOs submit timely performance reports to the Department as required by agreements.

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

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

Management stated they are in the process of developing performance measures and targets for each program area and CBO. They have told us that they hope to include requirements for outcomes-based accountability reporting as part of the service agreements with CBOs' in the future.

Complete financial statements needed

Senior management needs complete financial statements to manage the Department.

The financial reports senior management uses to manage the Department are incomplete. The reports show the results of the Department's operations (i.e., its revenues and expenditures), but not what the Department owns and owes (i.e., its assets and liabilities).

Users of performance reports naturally tend to focus on the information presented in the reports. Because managers do not receive regular reports on what the Department owns and owes, they focus on annual operations and ensuring that the Department does not overspend its appropriation. Managers tend to pay less attention to the assets and liabilities they must manage well to provide needed services.

Without complete financial reports, senior management may make incorrect decisions.

We recognize that the lack of complete financial statements for government departments is a government-wide issue. Supervising agencies need to lead the preparation of departmental financial statements that would include common accounting policies and statement presentation.

Information technology development practices need strengthening

The Department manages large and complex computer systems. It needs to strengthen its policies and procedures for developing and implementing new information technology (IT).

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 Exhibit 1, to inform, train, and guide staff on good project management practices. Also, organizations need an effective project management structure to ensure that project teams follow approved policies and procedures.

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 is making progress in strengthening its processes for managing IT projects. Progress includes draft policies and procedures and establishing a Project Management function to provide project management expertise and to ensure that policies are followed. The Department also told us that it may restructure its IT branch.

However, more work needs to be done. For example, the Department needs:

♦ more policies and procedures to fully set out an IT project management framework for the Department;

♦ an IT organizational structure which includes appropriate project management resources; and

♦ an IT project management methodology and to ensure staff are adequately trained in its use to ensure that its policies and procedures are effectively implemented.

We have reported this matter in previous reports. In June 2001, PAC agreed with our recommendation.

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

Annual report needs improvement

The Department needs to improve its annual report. We examined the Department's annual report for the year ended March 31, 2002.

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 250.

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 would strengthen if it 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.

Case planning for SAP clients—follow-up

This section describes our follow-up of action taken by the Department of Social Services up to October 2002 on audit recommendations concerning case planning for employable Social Assistance Plan (SAP) clients.

During 1994-1995, we audited the adequacy of the Department's processes to establish effective case planning procedures to achieve long-term independence for employable social assistance clients. We found the Department had adequate systems and practices to develop case plans. However, they did not have adequate systems or practices to effectively implement, update, or evaluate case plans. We reported our findings and conclusions in our 1995 Spring Report – Chapter 15 (p.167).

At that time, we made four recommendations to the Department about case planning for employable social assistance clients. The recommendations relate to written guidance for social workers, criteria to identify clients, a standardized record system, and evaluation of the effects of case planning. The recommendations are listed below.

In April 1997, the Standing Committee on Public Accounts agreed with our recommendations.

In January 1996, the Department announced it would redesign social assistance service delivery. The redesign initiative is called 'Building Independence'. For the last six years, the Department has been implementing the changes in service delivery that this new initiative required. We delayed our follow-up of the case planning audit until the new service delivery systems were in place.

Our follow-up procedures

To find out if the Department adopted these recommendations, we carried out the following procedures. We considered the current social welfare environment and how it affected our recommendations. We asked officials to tell us about relevant activities. We examined the 2001 training manual Transition Planning Practice Guide and other reports. We also examined several client case files for evidence of case planning in practice. This work is not an audit.

Department action on the recommendations

The Department told us that it continues to support the recommendations about case planning that we made in our 1995 Spring Report. The Department's approach has been to incorporate the recommendations into its new systems to deliver social assistance programs.

The Department chose to implement its redesigned delivery systems in stages. By June of 2002, 75% of new clients received services through the new delivery systems. The Department hopes that the remaining clients will gain access to the redesigned systems by March 2003.

The new systems to deliver social assistance services aim to help clients find employment or training before offering social assistance. The Department's intention is to make SAP a program of 'last resort'. Toward this objective, the Department initiated several new approaches to help clients in need of social assistance:

♦ Call Centre - province-wide call centre for prompt response to requests for assistance,

♦ Jobs First – helps clients to find a job,

♦ First Step – orientation and intake to short-term social assistance, and

♦ Transition Planning – works with clients to address barriers to employment (e.g., transportation, childcare, high school education, vocational training).

The Department planned that these new approaches would enable it to allocate more resources for case planning.

In 1995, we recommended that the Department provide workers with complete written guidance to carry out, record, and revise case plans.

The Department told us that it has incorporated this recommendation into the redesign of service delivery. The training manual, Transition Planning Practice Guide, sets out required content and format for case plans. In addition, during 2001 and 2002, the Department provided training to all social assistance workers about the redesigned systems including case planning processes.

In 1995, we recommended that the Department establish clear criteria to identify clients most likely to benefit from case planning.

The Department has not yet developed province-wide criteria to identify clients most likely to benefit from case planning. Rather, the Department asked each regional centre to select clients for case planning based on the time available in the region.

Most regions develop case plans for all new clients and prioritize other clients who are most likely to achieve social and economic independence in a short time. The Department's initial focus has been on new clients. As more resources become available (i.e., by redirecting potential clients into jobs or training), the Department plans to develop case plans with those clients having more barriers to economic independence.

In 1995, we recommended that the Department provide a system that helps workers consistently record current case planning information and progress toward client goals.

The Department has not yet implemented a standardized record system. The regions decide how to record case plans (e.g., in paper records or on local computer formats). The Department anticipates that by early 2003, a standard computerized record system will be available for social workers. The proposed record system uses mandatory entries and automatic reminders to help workers consistently record case plans and progress toward client goals.

In 1995, we recommended that when a system that captures the necessary information and consistently records case plans is in place, the Department evaluate the effects of case planning.

The Department has not yet evaluated the effects of case planning due to the lack of a computerized record system. When the system is available and fully in use, the Department plans to produce systematic management reports that will help it evaluate the effectiveness of case planning.

Next steps

The Department intends to continue to implement the recommendations we made in 1995 about case planning for employable social assistance clients. We plan further follow-up of the Department's actions on these recommendations through our annual audit work.